



Practice Sales • Appraisals • Consulting
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Dear Doctor,

Thank you for asking us to appraise your practice. Please provide all the requested information so we may calculate an accurate and fair market value. Although the list is comprehensive, many factors weigh into the evaluation and we need to know a great deal about the business.

For most of the responses, we are looking for reasonable estimates, not precise calculations.

Generally, all the information we receive from you will be kept confidential. However, if you are listing your practice for sale through our firm, we will need to disclose much of the information to potential buyers after they have signed our Confidentiality Agreement.

When sending your information, regular mail is fine or, if you prefer, you may send it overnight, but please **do not make it Signature Required**. If a signature is required and I'm not here, it's a real hassle to get it. Thanks.

Email is also fine for all or part of the information, as is a Dropbox link or shared folder.

Please call, fax, or email me when you mail it so I know to look for your package. I will notify you when I receive it.

We look forward to working with you.

Sincerely,

Gary W. Ware, Principal
gary@PracticeConsultants.com

Information Checklist for Practice Appraisal

All of this information is used to determine a realistic market value for your practice. There may be additional information requested after we start the analysis. PLEASE SEND US COPIES THAT YOU DO NOT NEED BACK; we scan and shred the paperwork we receive.

- ___ 1. Brief history and commentary about practice. Include hours of operation and doctor hours.
- ___ 2. Reason for the appraisal (anticipated sale, estate planning, pending partnership change, natural disaster claim, divorce, periodic balance sheet confirmation, etc.).
- ___ 3. Most current year-to-date financial statements (Profit-and-Loss Statement and Balance Sheet).
- ___ 4. Year-end financial statements (Profit-and-Loss Statement and Balance Sheet) for past three years.
- ___ 5. Federal (not state) tax returns for last three years for practice only (ENTIRE corporate or partnership return, or only Schedule C of personal return). **If Schedule C, be sure to include all Schedules, Statements and Notes that are referenced on pages 1 and 2 of Schedule C;** do not send us your entire personal tax return.
- ___ 6. Articles of Incorporation or Partnership Agreement, Bylaws, Buy-Sell Agreement, etc.
- ___ 7. Copy of lease or rent schedule.
- ___ 8. List of Equipment, Furniture and Fixtures* with estimate of current fair market values. **Requires** an outside equipment company appraisal for clinical equipment. We prefer that you type a list, using our form as a guide, but you may complete our form NEATLY by hand.
- ___ 9. List of significant items that are personal property and would not be part of a transaction if business were to be sold, such as an antique desk or artwork. Such items are not practice assets.
- ___ 10. List of Leasehold Improvements* if less than 8 years old, including dates and costs.
- ___ 11. List of equipment leases, including monthly payments and remaining term of each lease.
- ___ 12. Completed information on all pages following this checklist page.
- ___ 13. Very short evaluation of the economics of the community.
- ___ 14. Digital photographs (flash drive, email, or Dropbox) of exterior and interior of office. Include sufficient images for us to see the practice setting (outside) and each area of the practice (inside) in enough detail to recognize such traits as frame style layout. It typically takes 10-20 pictures. PLEASE check them before sending to assure they are not blurry.
- ___ 15. Your check or money order for the appropriate fee; payment indicates that you have read and accept the provisions stated on the last page of this packet.
- ___ 16. Send everything to Practice Consultants. **DO NOT SEND IT SIGNATURE REQUIRED. Do not send it Certified. Do not send it Registered. Use regular First Class USPS or any other delivery service WITHOUT requiring a signature.**
- ___ 18. Call or email Practice Consultants so we know to expect the package.

* Fixtures are items that you could take with you if you were to move your practice to another location; free standing display cases would be an example. Leasehold Improvements stay with the building, such as built-in cabinets and carpeting.

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Information for Practice Appraisal (in addition to those items requested on Page 2.)

➔➔➔ Email address we should we use to ask you questions:

Please list EVERY doctor in your practice and designate each as OD, MD, etc.

| <u>Name</u> | <u>Average # of Hours/Week*</u> | <u>Percent Ownership</u> | <u>If Not Owner...**</u> |
|-------------|---------------------------------|--------------------------|--------------------------|
| _____ | _____ | 100 50 33 0 Other _____ | _____ |
| _____ | _____ | 50 33 0 Other _____ | _____ |
| _____ | _____ | 33 0 Other _____ | _____ |
| _____ | _____ | 0 Other _____ | _____ |

* If hours worked have changed in recent years, please explain on a separate sheet.
 ** Enter "EE" if this doctor is an employee; enter "IC" if this doctor is an Independent Contractor; enter "IDO" if this doctor is an Independent Doctor of Optometry. (IDO might be the case, as an example, in an optical shop with an "independent doctor of optometry" providing clinical services.)

On a separate sheet, list every non-owner doctor (just use their initials, not their names) of the past 3-4 years, even if they no longer work in the practice, and include the following information for each one. If a current owner was not an owner in any of those years, please include him/her on the list and show the appropriate information for any period prior to ownership.

- Total compensation for each of the last 3 years
- Where their compensation is included on your financial statements and tax returns (it's often either in Wages or in Outside Services)

Is any revenue generated by activities OTHER THAN the normal operation of the practice? If so, what is it and how much for each year of the past three years? For example, if you receive \$10,000 per year in lecture fees, and that is included on your financial statements or tax return as revenue, we need to know about it.

Except for malpractice liability insurance, do any Insurance expenditures represent coverages for owner(s), such as owner health, life, or disability insurance? If so, explain and show how much is it for each year of the past three years.

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Information for Practice Appraisal – Continued

Approximately how many OWNED frames do you have in inventory, including all sellable styles and sunglasses? _____

The total cost of your current **owned, sellable** ophthalmic inventory (frames, CL's, lens blanks if you have a lab, etc.; not equipment or supplies). Exclude consignment frames, discontinued frames, expired contact lenses, diagnostic trial lenses, etc. _____

Approximately how many frames of all styles does the practice dispense in a year? _____

Is anyone NOT working for the practice but getting paid by the practice, such as a spouse or child? If yes, explain on another sheet. Yes No

Is any family member working for the practice and getting paid? If yes, explain on another sheet, including how much he/she is getting paid and if the amount is close to fair market wage for the job. Yes No

Is anyone (such as a family member) working for the practice and NOT getting paid? If yes, explain on another sheet, including how much he/she would be paid at the fair market wage for the job. Yes No

To the nearest **tenth**, how many full-time-equivalent, working staff members (not doctors) are there, including any who aren't paid? _____

Approximately how many active (3 years) patient records do you have? _____

How many patients (exams) are seen by your practice in a year? _____

How many working lanes/exam rooms do you have? _____

What percentage of your revenue is from your optical/dispensary? _____

What is the approximate total of your Accounts Receivable? (A/R is based on the amounts you actually expect to be paid, NOT your U&C fees.) _____

Of the above Accounts Receivable figure, how much of it is more than 90 days outstanding? _____

What is your practice's website address? www. _____

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Information for Practice Appraisal – Continued

Please list your most significant third parties and the percentage of each item they provide to the practice.

| | Patients ¹ | Revenue ² |
|-------------------------|-----------------------|----------------------|
| _____ | _____ % | _____ % |
| _____ | _____ % | _____ % |
| _____ | _____ % | _____ % |
| All Other Third Parties | _____ % | _____ % |
| Private Pay | _____ % | _____ % |
| TOTAL | 100% | 100% |

1 Based on the number of patients who are covered by each plan. For example, 50% of your patients may be covered by VSP.

2 Based on the actual payments each plan makes to you. For example, VSP payments to you may account for 30% of your revenue.

In square feet, how large is the practice? _____

Do you have an on-site lab? Yes No

Approximately how much time remains on your current lease, including all options? _____

What is your current total monthly rent amount including CAM/NNN charges, etc.? _____

How long have you owned this practice? _____

How long has the practice existed? _____

How long has the practice been at this location? _____

If there is a line item on your tax returns and/or financial statements regarding a pension plan, 401k, retirement plan, etc., approximately what percentage of the shown amount is applicable to the current owner(s) (i.e., not employees)? _____

Information for Practice Appraisal – Continued

Regarding Electronic Medical Records...

- We have EMR in place. The software we are using is _____.
- We are working on it; we are about _____% completed.
The software we are using is _____.
- We haven't yet started to get EMR in place.

Many practice owners take deductions as business expenses of some items that could be interpreted as personal expenses, such as sporting event tickets, travel, automobile expenses, personal computer, etc. On a separate sheet, please list the kinds of personal expenses that you deduct on the business tax return, and provide an estimated dollar amount for each kind of expense. Also tell us where on the tax returns these amounts are included. (You should be able to document these items and amounts if you are planning to sell your practice.)

If a potential buyer were to consider your practice, what traits would make it more attractive than other nearby practices? PLEASE DESCRIBE ON A SEPARATE SHEET.

If there were a new owner of your practice, what traits should get attention to make the practice even better? PLEASE DESCRIBE ON A SEPARATE SHEET.

Do you own the building that your practice is in? Yes No (skip remainder of this question)

Does the practice pay rent and, if so, is it reasonably close to market rent? If not, what would market rent be?

Are there any building-related expenses (such as repairs or real estate taxes) included in the practice financial statements or tax return? If so, explain on another sheet.

May the real estate be sold with the practice? If so, what is its estimated market value?

If there is anything else that would be helpful in determining an accurate and fair value, please tell us here or on another sheet.

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ADDENDUM if this appraisal is for a practice being sold in its entirety

If this appraisal is NOT for a planned sale, you may skip this page and go on to Page 8.

- Make a list showing every current employee (even if not paid, such as a spouse) and independent contractor. We do not need names, just initials. The list must include this information:

1. Employee's Initials (just so we can keep track of individuals)
2. Job Title or Description
3. Hours/Week
4. Wage Rate
5. Years of Service With This Practice

- Is any doctor listed on Page 3 an IDO? Yes No (Skip the next paragraph.)

Is that IDO selling her/his business along with yours?

Yes No

Either way, please talk with us NOW about how this would work.

- What percentage of your patients in a typical month are NEW patients? _____ %
- What percentage of your patients speak a language other than English as their primary language? _____ %

What is the most common non-English language for these patients? _____

- Before a transaction is completed, the buyer will thoroughly investigate your business. It's best to tell us now if there is anything, in any aspect of the business, that might seem to a buyer to have been misrepresented or might be a surprise later. Please explain on a separate sheet. For example...

- Anticipated major construction or other business interruption in your area.
- Recent or pending legal action.
- Landlord - tenant issues.
- Anticipated departure of key employee.
- Dramatic change in revenue or expenses in a recent month or months, or anticipation of such a change.

**ADDENDUM if this appraisal is for any purpose
OTHER THAN a 100% sale**

Is this appraisal for...

- any partnership buy-in or buy-out? If yes, fill out this page.
- the formation of a partnership or other shared-ownership entity. If yes, fill out this page.
- a divorce? If yes, fill out this page.
- establishing the current value of an ongoing practice? If yes, fill out this page.

If this appraisal is for a planned sale of the entire practice (not a partial sale), you may skip this page and go on to Page 9.

Please provide these amounts for the MOST RECENT month-end.

| | |
|--|-------|
| Cash in accounts, petty cash, stamps, etc. | _____ |
| Receivables <120 days | _____ |
| Lease deposit | _____ |
| Other deposits | _____ |
| Prepaid insurance, etc. | _____ |
| Payroll payable | _____ |
| Buying group and other vendor payables | _____ |
| Other payables | _____ |
| Credit line outstanding | _____ |
| Remaining equipment lease obligations | _____ |
| Remaining purchase contract or promissory note obligations | _____ |
| Personal benefit expenses that will continue* | _____ |

* Such expenses as pay to a spouse or child who does not actually work in the practice, health insurance for owner's family, owner's Ferrari payment, etc.

Instructions for Completing the “List of Tangible Assets” Form

Please TYPE this list or print it CLEARLY. You don't need to use our form; you may provide your own list using our form as a guide. We may submit this list to potential buyers and lenders, so we want it to look good!

Please use SEPARATE SHEETS for (1) clinic equipment, and (2) furnishings & fixtures.

Do not include personal items (handheld instruments are usually considered personal items), office supplies, office items worth less than \$500, and anything that would not be sold with the practice.

Description: Include model numbers for clinical equipment, but serial numbers are not required. For furniture and fixtures, just enough information is necessary so that we know what item you're talking about.

Age: Nearest whole year is fine.

Condition: Simple words are good: near new, medium, well worn, etc. If a piece of equipment is not working properly, list its condition as NW and designate its value as zero.

Total Cost: This was your original cost for all of the quantity that you are listing for this line.

Total FMV: This is an estimate of the Fair Market Value, a reasonable amount for which a buyer could purchase this used item, in its current condition, from someone else. You must have an outside equipment company appraise your clinical equipment. For items other than clinical equipment, if you are uncomfortable estimating the values, you may complete all columns up to Total FMV, and we will estimate a total market value for them.

For clinical equipment/instruments, you may contact any vendor that sells used equipment. Usually all you need to do is fax them a list with each item, including model number, age, and condition; they will fax back to you (or directly to me) the values of the listed items.

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List of Tangible Assets

Practice Name _____

Date _____

| Reference | Quantity | Description Including Equipment Model Numbers | Age | Condition | Total Cost | Total FMV* |
|-----------|----------|---|-----|-----------|------------|------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
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| 18 | | | | | | |
| 19 | | | | | | |
| 20 | | | | | | |
| | | | | | | |
| | | Page Total | | | | |
| | | Grand Total (on last page only) | | | | |

* Your clinical equipment must be professionally appraised.



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INVOICE FOR PRACTICE APPRAISAL

If this appraisal is in conjunction with a signed Listing Agreement for us to sell your practice, you may discard this invoice, as no fee is due now; determining the MVN is included in the brokerage fee to be paid upon closing of the sale transaction.

Otherwise, please read carefully the following information before you decide which version of appraisal to request.

- The fee for an appraisal includes post-appraisal clarification discussion with the client. However, additional analysis (typically based on changed or previously omitted information), or discussions about the appraisal with other parties (potential buyers, for example, if we are not representing the practice for sale as the broker of record) would be outside the scope of the initial appraisal, and would be subject to additional fees.
- A Regular Appraisal (with opinion letter) usually would be required for divorce proceedings, insurance policies or claims, some lending institutions, corporate or partnership periodic valuations, etc. Or, you may just want it. The opinion letter shares some of our calculated findings and traits that make your practice worth more or less than others, but we do not share our base calculations.
- A Market Value Number (MVN) is just that, “the number.” It involves exactly the same analysis, and results in exactly the same “number,” but is transmitted to you in a casual fashion (usually email) without an opinion letter. Please note there is no explanation of the results, and no letter associated with this form of appraisal.
- When the opinion letter is required, we develop it as we proceed, in parallel with the analysis. If we perform only an MVN and you later require an opinion letter, the additional work will result in a fee of \$1,500 for the opinion letter.

Please select which form of appraisal you want, and submit the fee with the information requested in this Appraisal Packet. To avoid any future appearance of influence regarding the outcome of the analysis, we are unable to start your appraisal without full payment. Thank you.

- | | |
|--|-------------------|
| <input type="checkbox"/> Regular Appraisal With Opinion Letter | <u>\$3,200.00</u> |
| <input type="checkbox"/> Market Value Number (MVN) Without Opinion Letter | <u>\$2,200.00</u> |