

Hillcroft Familycare Center

Dr. Sam Sample

Confidential Report



Confidential Practice Review

Dr. Sam Sample
63550 Maple St., Ste 210
Sacramento, CA, 95825

Date Report Prepared: April 27, 2013
Effective Date of Value: December 31, 2012

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









We have completed the analysis and valuation for your practice. Our analysis indicates the most probable sales price to be

\$120,000

with a likely sales price range being somewhere between a low of \$95K and a high of \$135K. This value does *not* include A/R or real estate. Nationwide, we see this type of practice selling for between 30% - 35% of annual collections.

Pricing a practice to sell effectively requires both subjective and objective judgment. The below graphic shows some key factors related to the overall desirability and salability of the practice on the open market:

Practice Type: **Family Practice** 2012 data

Category	Practice Value	Qualitative Desirability Assessment
Annual Gross Collections	\$426K	← Less Desirable  Average → More Desirable →
Owner Discretionary Earnings	\$240K	← Less Desirable  Average → More Desirable →
Excess Earnings	\$40K	← Less Desirable  Average → More Desirable →
Days in A/R	1.3 months	← Less Desirable  Average → More Desirable →
Profit Margin	56%	← Less Desirable  Average → More Desirable →
Total Expense	44%	← Less Desirable  Average → More Desirable →
Staff Expense	\$35K?	← Less Desirable  Average → More Desirable →
Historical growth trend	Down in 2010?	← Less Desirable  Average → More Desirable →
Equipment/ Furniture	<\$20K?	← Less Desirable  Average → More Desirable →
Owner Provider Hours Worked	40-45 hrs/wk	← Less Desirable  Average → More Desirable →
# Provider / Goodwill xfer	1 MD, 0 NP/PA	← Less Desirable  Average → More Desirable →
Support Staff ratio	Only 2 staff	← Less Desirable  Average → More Desirable →
Facility	Prof Office Bldg	← Less Desirable  Average → More Desirable →
Location & Cost of Living Index	Major metro, CLI at 91	← Less Desirable  Average → More Desirable →
Overall Salability / Desirability	Low - Med	← Less Desirable  Average → More Desirable →

Normally, we try to price a practice at the maximum value that it cash flows with a low-money down loan to attract the widest possible range of buyers. This maximizes money to the seller while helping to create conditions for a faster sale. Often, we can get up to 90% - 100% financing for the practice purchase (and real estate if applicable). In pricing and marketing a practice there are some things we can and cannot control:



The total practice value makes the following assumptions and inclusions as part of the practice sale:

- The transaction would take the form of an asset purchase for the buyer.
- The sales price includes sale of all equipment, appliances, tools, pharmaceuticals, medical supplies, drug inventory, instruments, furniture, fixtures, files, records, client lists and information, advertising, leases, telephone numbers, trade names, and other items used in the conduct of the practice business owned by Seller, plus good will.
- Sellers' covenant not to compete is of sufficient duration, radius, and includes terms to protect the Buyer.
- Any associate physicians have an enforceable covenant not to compete.
- Seller will usually provide most equipment free and clear of leases to a new buyer.
- Buyer is able to secure financing at prevailing terms and interest rates.
- Buyer requires financing on the practice acquisition.
- Buyer will be an owner / practitioner.

From my experience, the likely buyer for this practice will be another owner/practitioner physician Priced competitively; it will probably take 9 -15 months to sell.

Sincerely,

Andrew Rogerson, CBI, CBB

April 27, 2013
Date

Introduction

Subject of Appraisal

Dr. A. Sample (ASFP), a 1 FTE physician family practice clinic (with pediatrics), located in Sacramento, CA.

Nature and History of Subject Practice

ASFP is a 1 FTE MD family medicine (with pediatrics) practice located in Sacramento, CA. The practice was started in 1993 by Dr. Sample. The practice moved to its present location in 1998. The practice is located in the Bellaire professional office building and has 1575 SF of lease space. The facility has 3 exam rooms, 1 nurse's station, laboratory area, administrative area, and waiting area with 22 chairs.

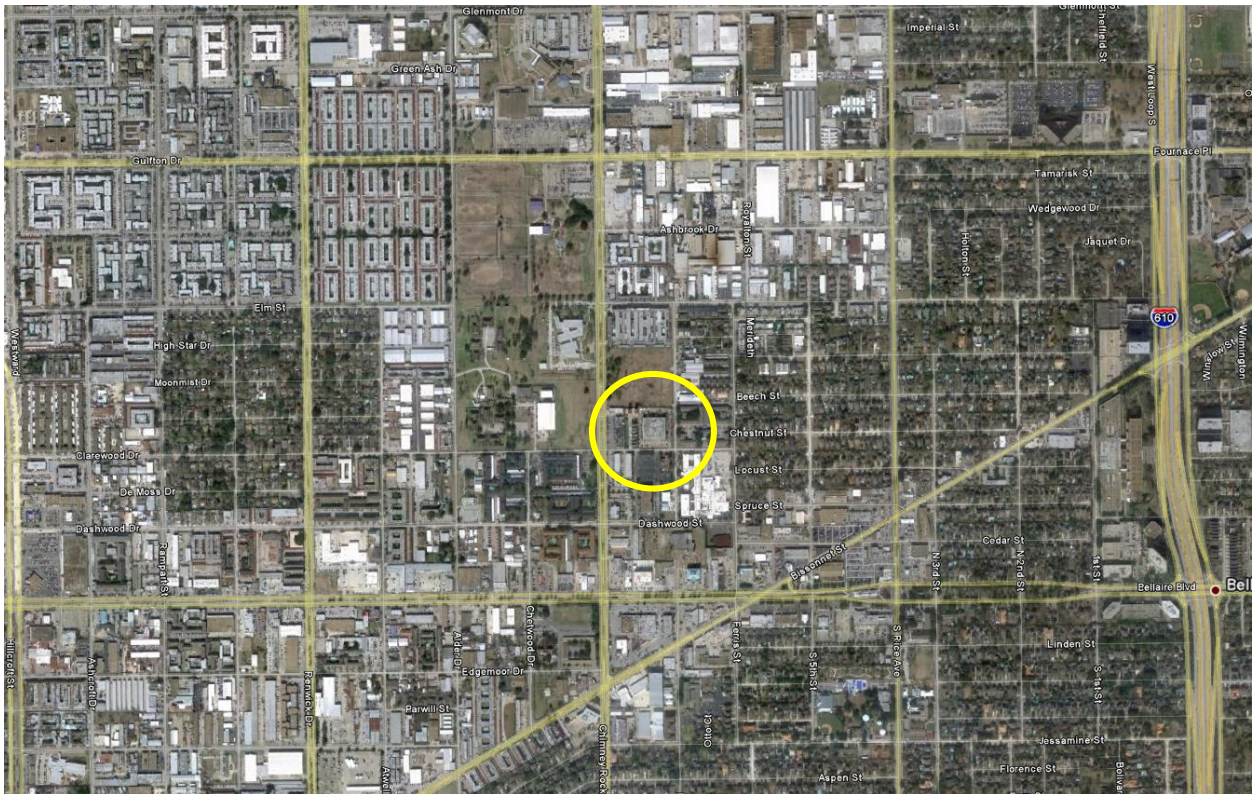
ASFP has a philosophy of providing quality care at a reasonable price. The practice sees a high volume of patients, 200+ per week. The practice is open M-F, 8:30 – 5:00 pm. About 35% of patients are seen with scheduled appointments; about 65% are walk-ins. After hours emergencies are referred out to an ER at a nearby hospital.

The owner physician works a relatively schedule of 40-45 hours/week, compared to the national average of 36 hours/week for this specialty. Fees are considered average with respect to the competition. The physician does not provide care at offsite locations for inpatient care or nursing home rounds.



The location is a 65,000 square foot building, comprised mostly of medical professionals. It has easy access to US 50 and the West Loop. The facility has security cameras and underground parking to provide a safe environment. The building was recently renovated in 2003. It is located within 3 miles of medical center. It has 2 floors with elevator, Security camera, access card, covered parking underneath the building, onsite maintenance along with daily janitorial service. It is located near Downtown Sacramento. It is near the Galleria, Medical center and many Sacramento, CA neighborhoods.

Below are two overhead photos of the practice location.



Form of Organization of Subject Practice

ASFP is a California sole proprietorship. that is 100% owned by Dr. A. Sample. There are no other shareholders.

Sources of Information

We relied on the following client provided information in performing this valuation:

- Partially completed Medical Practice Brokers questionnaire
- 2010, 2011 & 2012 Federal tax returns
- Provider income report for 2012
- Email correspondence

No attempt was made to verify the financial information and other information and it was accepted and used at face value. The appraiser did not perform an onsite visit of the subject practice.

Economic and Industry Conditions

Overview of the Global and National Economy

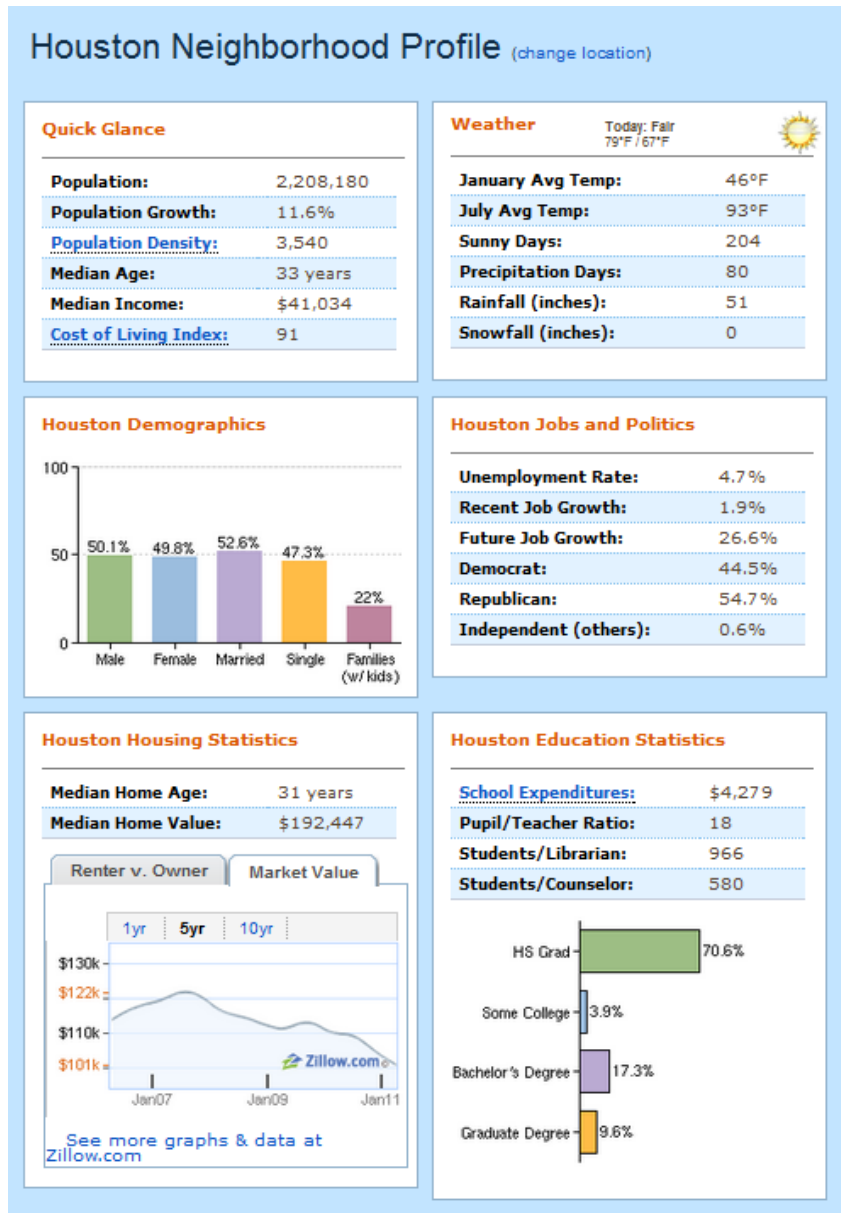
Not documented with the CPR service.

Overview of the State Economy

Not documented with the CPR service.

Overview of Practice Locale

Not documented with the CPR service.



History and State of the Industry

National Healthcare Industry Overview

Not documented with the CPR service.

How Economy, Demographics, and Industry Trends Affect Value

Based on the forecasts for the world, the nation and the state of California, the economy is very slow. Growth is expected to remain stagnant or shrink, and inflation is expected to become more prevalent in the near term. Interest rates are expected to increase. The overall outlook for businesses is uncertain with slow growth forecast for both consumer spending and employment.

Overall, the business risk impact resulting from the economic outlook remains moderate to high:

Area	Business Risk Impact	Financial Risk Impact
Industry Outlook	Moderate	Low
National Economy	High	High
Local Economy	Moderate	Moderate
Local Demographics	Low	Moderate

The relevant economic factors indicate a moderate risk for expecting an economic-driven downturn in ASFP. The demand services provided by ASFP are expected remain in demand in the foreseeable future. Hence we conclude that ASFP can reasonably be expected to experience flat to normal growth for this type of practice in coming years. Healthcare reform and reimbursement are not expected to be a risk in the near term.

Analysis of Subject Practice

Financial Performance of the Practice

Not documented with CPR Opinion service.

Re-casted Financial Statements

Not documented with CPR Opinion service.

Practice Characteristics

Strengths

Dr. A. Sample (ASFP) has several positive factors:

- **Practice Type.** The 1 FTE practitioner family practice providing a variety of primary care services.
- **Practice Stability.** The practice has been operating since 1978 in the current location since 2001 and is well established in the area.
- **Demand for Services.** ASFP is a full service family practice offering a standard range of family practice modalities and procedures. Minor surgical procedures are performed onsite, while more complex procedures are performed/referred to the nearby 75-bed hospital or specialists.
- **Historical Growth Patterns.** ASFP gross revenue has been stable with steady growth from 2009 to 2012. However, from 2010-2012 revenue growth was 10.5%. 2010 saw a very slight down turn most likely due to the economy: -2.2%.
- **Income to New Buyer.** The current and anticipated cash flow to the physician owners represents an important aspect for any new buyer. 2012 sellers’ discretionary earnings is about \$240K. We’d expect a new buyer in an area with a similar Cost of Living Index to want after debt service compensation to be \$150K or higher. Based on the aforementioned expense adjustments this leaves potentially about \$70K available for practice debt service. However, a typical buyer will probably want to increase the support staff to more normal ratios thus increasing expense structure.
- **Expenses.** ASFP expenses are lower than national averages, primarily due to lower support staff expense.

Weaknesses

However, the following practice characteristics may potentially increase risk, lower value, or warrant further investigation:

- **Payer Mix.** No payer information was provided but it is assumed the payer mix includes a variety of payer sources, including cash and Medicaid.
- **Doctor Hours.** The owner physician averages 40-45 hours/week practicing medicine administrative duties. This is somewhat higher than the average number of hours worked for this specialty.
- **General Practice Philosophy.** The practice appears to offer high volume care at affordable rates. Fewer buyers like this business model.
- **Facility.** The practice is located in a large medical profession building, near a medical center, and major highways. The facility is somewhat smaller than many buyers prefer at 1575 SF.
- **Transferability of Goodwill.** Transferability of goodwill is considered lower than normal. This is due to a combination of factors, including a non-English speaking patient base, and low support staff ratio.
- **Growth Potential.** Immediate and easy growth potential is not apparent. Adding support staff of physician extenders are a possibility to increase revenue. But it would take time and effort on the part of a buyer.
- **Furniture, Fixtures, and Equipment:** The practice has lower than average amount of equipment and furniture. No detailed list was provided. In-place value is assumed to be about \$20K.
- **Computers/Automation.** The practice is computerized but does not have an EMR or HER system in place. Due to Federal regulations a new buyer might have to spend \$40K-\$50K to install a new system.
- **Staffing Ratio.** There are only two medical assistant support staff. There are no midlevel providers, or nurses. The staff ratio is much lower than the 4.4 support staff per FTE physician industry standard.
- **Current Practice Financials.** 2012 and y-t-d 2011 practice income/expense statements were not provided. The appraiser assumes that income has shown modest/slight growth, and expenses showing higher growth; representing a net flat earnings with 2012 levels.

Practice Location Relative to Competing Practices

Local competition of healthcare practices is moderate. The graphics below shows a sampling of nearby competing family practice and internal medicine practices and hospital facilities:



Valuation of Subject Practice

Approach to Value

At Medical Practice Brokers, Inc., we consider the three approaches used in business appraisal and the various methods under each approach:

- **Asset Approach**
 - Excess Earnings method
 - Adjusted Book Value method
 - Liquidation Value method
 - Cost to Create method
- **Market Approach**
 - Direct Market Data method
 - Prior Transaction method
 - Rule of Thumb method
 - Guideline Public Company method
- **Income Approach**
 - Single Period Capitalization method
 - Multiple Period Discounting method
 - Multiple of Discretionary Earnings method
 - Gross Revenue Multiples method

Many factors need to be considered in the selection of the appropriate method(s) to use in valuation analysis. Not all methods are appropriate in every situation. The choice of the valuation methods to be used in an appraisal assignment is a judgment reserved to the appraiser, and is determined by factors specific to the assignment and subject practice characteristics. Our experience shows that by using these approaches to independently determine value, and then selecting one or more approaches that are most appropriate for this situation using judgment and experience to render a likely sales price (i.e., fair market value). Where possible, we use multiple approaches to provide a crosscheck of value. We use judgment and experience to determine relative importance and applicability of the various methods and results.

Additionally, we normally perform two feasibility checks in determining practice value:

- **Cash Flow Feasibility:** a “sanity check” of how much debt service the practice can theoretically afford based on expectations of a typical buyer in today’s marketplace.
- **Liquidation Value Feasibility:** Another “sanity check” of practice value in an orderly (i.e., 3- 6 months) liquidation of all practice assets.

Calculation of Discount and Capitalization Rates

Not documented with CPR Opinion service.

Application of Asset Approach

EXCESS EARNINGS METHOD

Next Year's Forecasted Net Cash Flow			240,000
FMV salary adjustment for 1 FTE MD based on production & hours			<u>(165,000)</u>
Next Year's Forecasted Excess Earnings			75,000
Return on Net Tangible Net Assets (Value of Net Tangible Assets - from Adjusted Book Value Method)	20,000		
Rate of Return on Net Tangible Assets	<u>5.0%</u>		
Actual Return on Net Tangible Assets			<u>1,000</u>
Excess Earnings (amount to be applied to the intangible assets)			<u><u>75,000</u></u>
Capitalization of Excess Earnings to Value Intangibles:			
Excess Earnings	<u>75,000</u>	=	192,308
Capitalization Rate for Intangibles	39.0%		
ESTIMATED VALUE OF INTANGIBLE ASSETS			<u><u>192,308</u></u>
Indicated Value - Intangible Assets (Rounded)			<u><u>192,000</u></u>

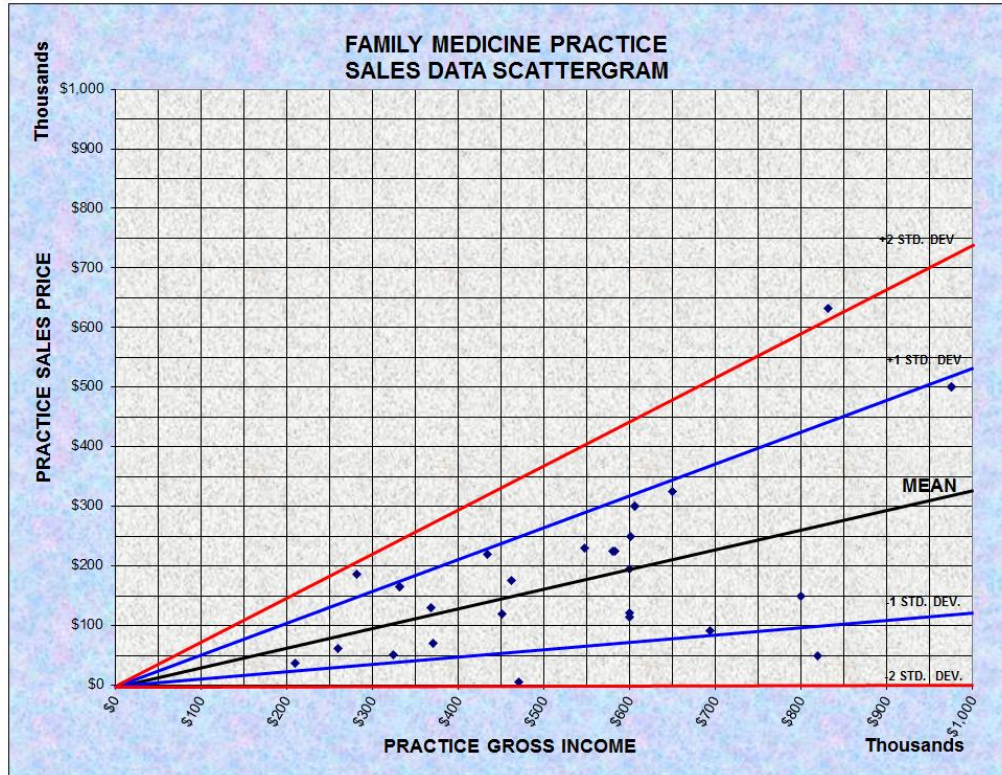
Methods Considered but Rejected

- The Adjusted Book Value method was rejected as the sale considered is an asset sale, not a stock sale, and goodwill represents a significant component of practice value.
- The Liquidation Value method was rejected as the practice is not under consideration for liquidation.

Application of Market Approach

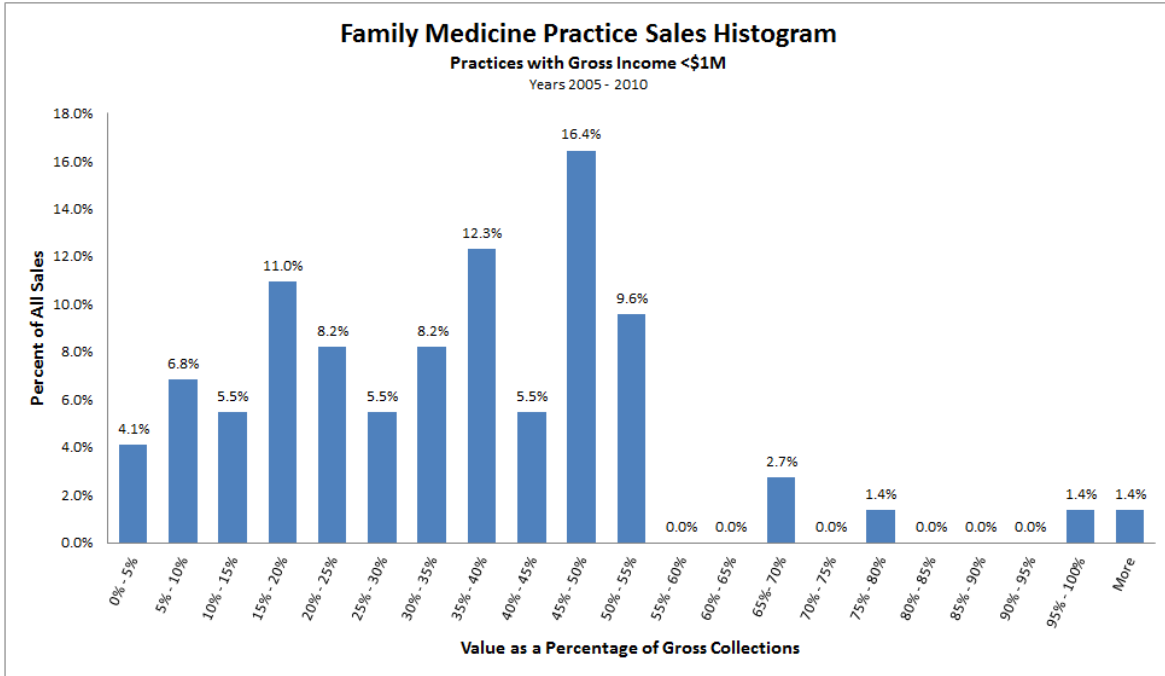
Direct Market Data Method

Below is a chart showing family practice sales¹ in recent years:



One can draw a rough guideline that this practice type currently sells for about 32% of one year's gross income. But, data shows that this ratio often varies above or below the average by as much as 41% gross income (i.e., ± 2 std. dev.). The histogram below shows sales data from a different view: the frequency distribution of sales price ratios:

¹ Data extracted from 2012 Goodwill Registry data and MPB private sales data



Therefore custom adjustment factors must be incorporated for a meaningful number. In looking at the likely sales price, one should look at a number of factors and crosscheck with different approaches. Based on several qualitative and quantitative factors the appraiser places the subject practice at -0.5 std. dev. below the mean. Initial value using the Direct Market Data Method for Price/Gross data: \$96K for practice.

Methods Considered but Rejected

- The Prior Transaction method was rejected as no prior sales/transactions on this practice exist.
- The Guideline Public Company method was rejected as the practice is not of sufficient size/revenue to make a good comparable.
- Rule of Thumb method is rejected as specific rules of thumb for the subject practice type are not available or are deemed unreliable.

Application of Income Approach

Multiple of Discretionary Earnings method

The **Multiple of Discretionary Earnings** method establishes the business value by multiplying the Pre-Tax DE a composite valuation multiple which is derived from a number of business, industry, market, and owner preferences factors. The method is especially well suited for valuing owner/operator managed businesses whose purchase is driven by both economic and lifestyle considerations. Some key factors that are accounted for by the Multiple of Discretionary Earnings valuation method include:

- Business earnings historic track record.
- Industry and business growth prospects.
- Acquisition financing terms.
- Competitive pressures.

- Business position in the market place.
- Risks associated with market and customer concentration.
- Location and facilities.
- Quality of management and staff.
- Ease of operation which makes transition to new ownership feasible.
- Overall business desirability.

Determination of Multiple of Discretionary Earnings Valuation Method Multiple

Rating Scale	Description	Selected Multiplier	Weight	Weighted Value
<u>Stability of Historical Earnings</u>			10	
0.1 - 1.0	Marginal, erratic and/or less than 3 years history			
1.1 - 2.0	Erratic or stable, but at or near industry norm	0.6		6.0
2.1 - 3.0	Stable, above industry norm & 5 years or more history			
<u>Business and Industry Growth</u>			9	
0.1 - 1.0	Flat or declining or below industry norm			
1.1 - 2.0	Flat or slightly increasing or at or near industry norm	0.8		7.2
2.1 - 3.0	Rapid growth or growth above industry norm			
<u>Type of Business</u>			8	
0.1 - 1.0	Service business with few assets			
1.1 - 2.0	Service or retail-equipment and/or inventory are important	1.1		8.8
2.1 - 3.0	Wholesale, distribution or manufacturing			
<u>Location and Facilities</u>			7	
0.1 - 1.0	Poor neighborhood, location and/or facilities			
1.1 - 2.0	Good neighborhood, location and facilities	1.2		8.4
2.1 - 3.0	Above average location and/or facilities			
<u>Stability and Skills of Employees</u>			6	
0.1 - 1.0	High turnover and/or unskilled employees			
1.1 - 2.0	Low to industry norm turnover and well-trained employees	0.8		4.8
2.1 - 3.0	Long-term, well-trained, and motivated employees			
<u>Competition</u>			5	
0.1 - 1.0	Highly competitive and/or unstable market			
1.1 - 2.0	Friendly competition and/or stable market	1.5		7.5
2.1 - 3.0	Few competitors and/or high startup costs			
<u>Diversification of Products, Service and Geographic Markets</u>			4	
0.1 - 1.0	Limited product lines, services and/or size of markets	2.2		8.8

1.1 - 2.0	Diversification of products, services and/or markets		
2.1 - 3.0	National and/or international market diversification		
<u>Desirability and Marketability</u>			3
0.1 - 1.0	No status, rough or dirty work		
1.1 - 2.0	Respectable and satisfactory environment	1.9	5.7
2.1 - 3.0	Challenging and attractive environment		
<u>Depth of Management</u>			2
0.1 - 1.0	Owner/managers--no other levels of management	0.5	1.0
1.1 - 2.0	Managers other than owners in place		
2.1 - 3.0	Multi-layers of professional staff & line management		
<u>Availability of Capital/Terms of Sale</u>			1
0.1 - 1.0	All cash required and limited debt capital available		
1.1 - 2.0	Normal market terms available	2.0	2.0
2.1 - 3.0	Normal or above market terms available		
TOTAL			55 60.2
 DISCRETIONARY EARNINGS MULTIPLE			 <u>1.09</u>

Source: Fishman, Pratt, Griffith, Wilson. Guide to Business Valuations (Practitioners Publishing Company: Sacramento, CA, 1999), p. 7-40. Factors modified by appraisers.

DETERMINATION OF DISCRETIONARY EARNINGS:

Discretionary Earnings (adjusted for debt service)	210,000
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Multiple of Discretionary Earnings Method

Forecast Discretionary Earnings	210,000
Times: Discretionary Earnings Multiple	1.09
Initial Estimate of Value	229,855
Add: Assets That Don't Typically Transfer in an Asset Sale	-
Less: Total Liabilities	-
Indication of Value	229,855

Methods Considered but Rejected

- The Single Period Capitalization method is not used due to variable income growth in recent years.
- The Multiple Period Discounting method is rejected due to insufficient income and expense projections.

Adjustments for Discounts and Premiums

Control Premium

- Not applicable to valuation of subject practice

Discount for Lack of Control (Minority Interest Discount)

- Not applicable to valuation of subject practice

Discount for Lack of Marketability (Minority Interest Discount)

- Not applicable to valuation of subject practice

Restricted Stock Studies

- Not applicable to valuation of subject practice

Cost of Flotation

- Not applicable to valuation of subject practice

Relevant Tax Court Cases

- Not applicable to valuation of subject practice

Marketability Discount Factors

- **Pending Litigation.** There is no indication litigation pending against the practice at the moment.

Conclusion of Value

Weighting and Reconciliation of Indicated Values

RECONCILIATION				
100% Control Interest				
Valuation Method:	Indicated Value	Discount / Premium Rate	Confidence Level	Weighted Estimate
<u>Asset Approach</u>				
<i>Capitalization of Excess Earnings (Including Value of Intangibles) (No Discounts or Premiums)</i>	192,000	-	20%	38,400
<i>Adjusted Book Value Method</i>	Not Used			
<u>Market Approach</u>				
<i>Guideline Public Company Method</i>	Not Used			
<i>Public Transaction Company Method</i>	Not Used			
<i>Private Company Merger & Acquisition</i>				
Goodwill Registry Data:				
<i>Price / Gross Method</i>	95,000	-	75.0%	71,250
<i>Price / Earnings Method (No Discounts or Premiums)</i>	Not Used			
<u>Income Approach</u>				
<i>Multiple of Discretionary Earnings</i>	230,000	-	5.0%	11,500
VALUE CONCLUSION - 100% Interest in Company			<u>100%</u>	<u>121,150</u>
VALUE CONCLUSION - 100% Interest in Company (Rounded)				120,000

Value Conclusion

Therefore we conclude a **Total Practice Value of \$120,000** with a likely sales price range being somewhere between a low of \$95K and high of \$135K when sold as a going concern. The value of the A/R is not included in this amount. The value of the real estate is not included in this amount.

Pricing a practice to sell effectively requires both subjective and objective judgment. Objective judgment comes from industry standard techniques of determining value, inventory, historical earnings patterns, projected growth, project risks, current financial climate with lending

institutions, current interest rates, and other factors such as whether the practice sale takes the form of a stock sale or asset purchase. Subjective judgment plays a crucial part as well in determining the price a buyer will pay on today's open market. Here experienced judgment uses factors like the facility appearance, comparison with other practices on the market, location, type of practice, staffing, hours worked by the owner, amount/type/age of equipment relative to other practices, amount of real estate to be financed, etc. Pricing a practice such that it cash flows with a no-money down loan attracts the widest possible range of buyers and results in a faster sale. An otherwise qualified buyer can often get up to 90% financing for the practice acquisition loan.

Testing for Reasonableness of Value

Cash Flow Feasibility Check	As a sanity check, we perform a Purchase Feasibility Analysis to test the validity of practice value from the viewpoint of a hypothetical purchaser. Once after debt service cash flow drops below a reasonable compensation level, practice value approaches asset value only. However, some strategic buyers have been known to pay more for practices where they expect to grow revenues/lower expenses or otherwise change the practice over a 9 – 12 month period.	\$275K+
Liquidation Value Check	If liquidation value of the practice is the highest value on the list, then liquidation value prevails and the rest are excluded.	<\$20K

Caveats

Transaction Assumptions

- The total practice value makes the following assumptions and inclusions as part of the practice sale:
- The transaction would take the form of an asset purchase.
- Practice sale price would take 9-15 months to find a buyer.
- The sales price includes sale of all equipment, appliances, tools, pharmaceuticals, medical supplies, drug inventory, instruments, furniture, fixtures, files, records, client lists and information, advertising, leases, telephone numbers, trade names, and other items used in the conduct of the practice owned by Seller, plus goodwill.
- A sellers' covenant not to compete along with any associate doctors' non-compete are enforceable and of sufficient duration, radius, and includes terms to protect the Buyer.
- Any full time associate doctors (if applicable) have an enforceable covenant not to compete of sufficient duration, radius, and includes terms to protect the Buyer.
- Seller is to provide all equipment free and clear of leases to a new buyer, other than those items indicated in the questionnaire as not being paid off.
- Buyer is able to secure financing at prevailing terms and interest rates.
- Buyer is able to secure/assume the lease at relatively similar rates
- New buyer will continue to operate the practice in same manner² as seller.
- There are no unstated liabilities (e.g., unpaid ad valorem taxes, unpaid associate bonuses).
- A/R is excluded in the purchase and not transferred to the new buyer.
- No cash or long term liabilities are part of the assets transferred.

General Assumptions and Limiting Conditions

This report has been made with the following general assumptions and limiting conditions:

- The report has been created for on the purpose stated and shall not be used for any other purpose.
- The reported value in this report relies on the totality of the practice and the stated purpose for the report. Separate values for any component may not be applicable for any other purpose and must not be used in conjunction with any works.
- This report relies upon the accuracy and reliability of data supplied to us, including historical financial statements, and practice questionnaire. We did not audit, compile, or review the financial statements or other data, and do not express any form of assurance about the data supplied to us. This report cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud, embezzlement, or misappropriations, that may exist.

² Note: this opinion of value did not analyze accuracy or efficacy of practice operation or procedures. Further, no assessment was performed of buyer's ability to provide the same services as Seller.

- Neither Medical Practice Brokers, Inc., or any individuals signing or associated with this report, shall be required by reason of this report to give testimony or appear in court or other legal proceedings unless specific arrangements and agreement by Medical Practice Brokers, Inc. therefore have been made.
- Although this report may be intended to estimate fair market value, we neither assume responsibility for a seller's or buyer's inability to obtain a purchase contract at that price, *nor for the acceptance of that value by any regulatory agencies*. We did not conduct *due diligence* activities of any kind.
- The report cannot be included, or referred to, in any Securities and Exchange Commission filings or other public documents. This report is neither an offer to sell, nor a solicitation to buy securities, and/or equity in, or assets of, the subject practice or business.
- This report assumes the practice operation, management and proposed transaction and future practice management and operation to be in compliance with *all* applicable federal, state and local laws and regulations, including, without limitation, those related to income tax and tax exemption, environmental matters, the Stark laws, Medicare Fraud and Abuse, and anti-trust matters.
- No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title of encumbrances. Title to all personal property (tangible and intangible) and real property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any or all liens, easements, or encumbrances unless otherwise stated.

Special Factors Affecting Opinion of Value

This section lists any special factors that affected the opinion of value. Such factors include, but are not limited to, buy-sell agreements, restrictive stock agreements, corporate articles, bylaws and resolutions, partnership agreements, litigation, regulatory compliance, or environmental hazards.

The following special factors affected the opinion of value:

1. Restrictions on Alienation: there are no known restrictions on the sale of the practice or its assets.
2. Previous sales of interests in the practice: There have been no recent transactions of an interest in the practice.
3. Other: none

Certification

The appraiser signing the report accepts responsibility for the full contents of the report, and certifies the following:

- That to the best of the appraiser's knowledge, the statements of fact contained in the report are true and correct.
- That the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are the appraiser's personal, unbiased professional analyses, opinions and conclusions.
- That the appraisal was performed on a basis of non-advocacy, including a statement that the appraiser has no present or contemplated interest in the property appraised and has no personal bias with respect to the parties involved, or a complete disclosure of any such interest or bias.
- That the appraiser's compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, the report.
- That the appraiser's analyses, opinions, and conclusions were developed and that the report has been prepared in conformity with the Business Appraisal Standards of The Institute of Business Appraisers.
- That no one provided significant professional assistance to the person signing the report.

Andrew Rogerson CBI, CBB

April 27, 2013
Date



***Qualifications and Background
of
Andrew Rogerson***



Andrew Rogerson currently holds the Certified Business Intermediary (CBI) designation from the International Business Brokers Association, the highest designation awarded by the IBBA. Andrew has also earned the Certified Business Broker (CBB) designation from the California Association of Business Brokers, the Certified Machinery and Equipment designation (CMEA) from the National Business and Builders Institute and is a Certified Senior Business Analyst with the Society of Business Analysts.

Professional designations and work experience for Andrew Rogerson, CBI, CBB, CMEA, CSBA include:

- Broker - California Department of Real Estate – Real Estate License # 01757166
 - January 1999: Owner and President of Rogerson Business Services
- August 1995 – January 1999: Owner and President of NZTP Limited, Los Angeles, CA
- August 1988 – August 1995: Owner and Managing Director of Select Office Supplies, Warragul, Australia
- August 1985 – August 1988: Owner and Managing Director of Wodonga Travel, Wodonga, Australia
- Member of International Business Brokers Association (IBBA)
- Member of California Association of Business Brokers (CABB)
- Member of National Equipment and Business Builders Institute (NEBBI)
- Member of Society of Business Analysts (SBA)
- Member of the Sacramento Chamber of Commerce
- Past Member of the Australian Institute of Exports, Melbourne, Australia - Diploma of Export Management
- Past Member of the Institute of Business Appraisers (IBA)
- Educated at La Trobe University, Melbourne, Australia in Economics, Legal Studies and History
- Sierra Seminars - Completed CA Department of Real Estate studies in Principles of Real Estate, Real Estate Practice, Real Estate Appraisal, Legal Aspects of Real Estate, Real Estate Finance
- Accredited Real Estate Schools – Completed CA Department of Real Estate studies in Property Management, Real Estate Economics and Escrows

Andrew Rogerson, CMEA, has been awarded the CMEA designation (Certified Machinery/ Equipment Appraiser) by the NEBB Institute. CMEAs are located throughout the United States and several foreign countries, and are used by banks, other lending institutions, CPAs, attorneys, business buyers/sellers and others to provide needed financial information for a variety of reasons.