December 4, 200X

Sylvan Gold, MD
Bone and Joint Medical Associates, PA
Hook Road Extension
Anytown, USA

Dear Doctor Gold:

In accordance with your request, I have reviewed the profit-and-loss statements of Sylvan Gold, MD Bone and Joint Medical Associates, PA, (Subject Practice), Hook Road Extension, Anytown, USA as well as other pertinent statistical data and information in order to determine the debt-free value of the patient records and tangible assets of the subject orthopaedic and sports medicine practice.

I have given careful consideration to the industry-specific and practice-specific factors that affect value and, it is my opinion that, as of September 30, 200X, the fair market value of the client records and tangible assets of the Subject Practice is two hundred five thousand dollars ($205,000).

The above mentioned value takes into account market conditions that determine the amount of professional compensation, but does not consider the effect of the actual amount of physician wages.

If said wages is taken into account, it is my opinion that, as of September 30, 200X, the debt-free value of the above mentioned assets of the Subject Practice is one million three hundred fifty five thousand dollars ($1,355,000).

The fair market value of the tangible assets and client records of the Subject Practice does not include the value of the real estate located at Hook Road Extension, Anytown, USA or the accounts receivable. These assets should be valued separately.

Appraiser assumes that the client records and the tangible assets of the Subject Practice are owned free and clear of all liens and encumbrances.

I hereby certify, to the best of my knowledge and belief, that the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

Sincerely,

David J. Shuffler

DJS/h

Bone and Joint Medical Associates, PA
Hook Road Extension
Anytown, USA

September 30, 200X

CONTENTS

EXECUTIVE SUMMARY

Date of Valuation: September 30, 200X.

Standard of Value: Fair Market Value.

Purpose of Valuation:

Appraiser has been engaged by Sylvan Gold, MD to appraise the debt-free value of the patient records and tangible assets of the orthopaedic and sports medicine practice known as Bone and Joint Medical Associates, PA for the purpose of the development of a short- and intermediate- term strategic plan.

Description of Subject Practice:

Bone and Joint Medical Associates, PA is a long established orthopaedic and sports medicine practice that outperforms comparable practices in the MGMA Physician Compensation and Production Survey: 200X Report Based on 200X Data.

Production per full time equivalent (FTE) physician is on par the 90th percentile of physicians gross charges reported by the MGMA survey; total income collected for physicians charges is two times the survey median.

	Bone & Joint Medicine Associates*	MGMA Report
Production per Full Time MD (FTE)	$8,094,001	$4,375,860
Collections per Full Time MD (FTE)	$2,066,203	$959,537

*Fiscal 2006 Production: 2.0 FTE

The following table indicates the mix of services rendered:

Examination, Re-examination, Office Visits	7.8%
Hospital Consultations	.3%
Surgical Procedures	83.0%
Ancillary Services, i.e. x-ray, physical therapy et cetera	8.9%

Form 1120S (U.S. Income Tax Return for an S Corporation) of Bone and Joint Medical A, PA prepared by Hunter Accounting Group, LLC, North Fair Haven Road, Anytown, USA, for the fiscal year ended December 31, 200X, December 31, 200X and December 31, 200X indicate the practice generated the following collections. Production was provided by the doctor.

YEAR ENDED	PRODUCTION	COLLECTIONS
12/31/0X	NA	$1,792,153
12/31/0X	$7,586,715	$1,755,395
12/31/0X	$8,094,001	$2,066,203

Fiscal production and collections are on the rise; the interim trend in operations is strong.

INTERIM PERIOD ENDED	PRODUCTION	COLLECTIONS
9/30/0X	$5,718,605	$1,167,168
9/30/0X	$6,771,382	$1,245,576

Normalized practice overhead expense ratios exceed comparable practices in the MGMA survey sample. Professional compensation is on par with the market; EBITDA and normalized net cash flow are below market.

	Bone & Joint Medicine Associates FYE 12/31/0X	MGMA Report Median
Practice Overhead Expense Ratio	63.0%	50.6%
Cost of Clinical Supplies	2.0%	3.8%
Staff Payroll	28.0%	27.7%
Rent	5.6%	5.5%
Insurance	3.7%	3.3%
Employee Benefits	4.7%	4.6%
Non-Primary Expenses	19.0%	5.7%

The following table summarizes the operating performance of the Subject Practice:

	12/31/0X	**%**	**12/31/0X***	**%**
Total Collected Revenue	$1,755,395	100.0%	$2,066,203	100.0%
Operating Expenses	$1,337,185	76.2%	$1,301,314	63.0%
Depreciation & Amortization	$80,689	4.6%	$70,541	3.4%
Gross Practice Income	$418,210	23.8%	$764,889	37.0%
EBITDA	$119,744	6.8%	$84,571	4.1%

*Normalized Statement of Revenue and Expense

The Subject Practice is well established orthopaedic and sports medicine practice that possesses the external as well as internal dynamics to drive it to higher levels of production and normalized EBITDA.

The socio-economic profile of the catchment area is outstanding; the office is well located and easily assessed and there is ample on-site parking for clients and staff. The market presence of Doctor Gold extends the catchment area and provides a reservoir of potential new patients and referents.

Referral patterns are strong. Doctor referents, together with the hospital emergency room and non doctor referents, account for 70% of new patient referrals; existing patients generate 20% of new patients with the balance generated from MCOs.

As the present time, the active-client population numbers 1,513. The practice maintains 2,000 plus active and inactive patient records. Ambulatory patient encounters are on par with the 90th percentile of MGMA survey.

However, despite a number of certain strong practice-specific factors, the Subject Practice is under managed and under potential. Analysis indicates the Subject Practice is approaching the mature phase of its life cycle.

Two factors hold back production: patient load; production per full-time (FTE) physician.

Three factors restrict EBITDA: contractual disallowances; accounts receivable management; expense management.

Even though ambulatory patient encounters are on par with the 90th percentile of the MGMA survey, encounters are on the wane and new patient generation lags comparable practices which restricts production.

While aggregate production per full time equivalent (FTE) physician is on par with the 90th percentile of physicians gross charges reported by the MGMA survey; physician productivity is disparate.

Fiscal 200X	Sylvan Gold, MD	Rupert Silver, MD
Production per Full Time MD (FTE)	$5,371,536	$3,623,996
Collections per Full Time MD (FTE)	$1,175,143	$692,917

Interim 200X	Sylvan Gold, MD	Rupert Silver, MD
Production per Full Time MD (FTE)	$3,744,242	$2,969,355
Collections per Full Time MD (FTE)	$805,368	$702,636

Contractual disallowances exceed the median reported by the MGMA Cost Survey for Single-Specialty Practices: 2007 Report Based on 2006 Data which restricts gross billings eligible for collection.

	Bone & Joint Medicine Associates*	MGMA Report
Contractual Disallowances	79.9%	51.1%

Accounts receivable management is weak: unadjusted as well as the adjusted collection ratio lags the benchmark; accounts receivable days on hand exceed the benchmark.

Overhead expense ratios are weak. Expense management is sub-par which compromises professional compensation and shareholder value.

The above named practice-specific factors do not impinge the growth in production and operating income, but, together with the closure of Valley Hospital and Medical Center and the Tri State County doctor to population ratio, challenge future growth in production, operating income and EBITDA.

A comprehensive strategic management plan designed to meet the above named challenges as well as network v. out of network practice, new patient generation, patient service capacity, i.e. obtaining ASC attending privileges and administrative weakness offers the Subject Practice an internal market opportunity to generate additional production, raise professional compensation and EBITDA and boost shareholder value.

Value of Subject Practice

It is the opinion of Appraiser, that, as of September 30, 200X, the fair market value of the patient records and tangible assets of the Subject Practice is two hundred five thousand dollars ($205,000).

The above mentioned value takes into account market conditions that determine the amount of professional compensation, but does not consider the effect of actual physician wages.

If actual physician wages are taken into account, it is the opinion of Appraiser, that, as of September 30, 200X, the debt-free value of the above mentioned assets of the Subject Practice is one million three hundred fifty five thousand dollars ($1,355,000).

The fair market value of the assets of the Subject Practice does not include the value of the accounts receivable. This asset should be valued separately.

Revenue Ruling 59-60

Revenue Ruling 59-60, Internal Revenue Bulletin 1959-9, as modified by Revenue Ruling 65-193, I.R.B. 1965-2, and Revenue Ruling 68-609, I.R.B. 1968-48, outlines as well as reviews the approach, the methods and the factors that an appraiser should consider in order to determine the value of a closely held company such as a professional practice.

The following factors, which are fundamental, require careful analysis:

(a) The nature of the business and the history of the company or practice.
(b) The general economic outlook as well as the outlook for the industry or profession.
(c) The book value of the capital stock and financial condition of the company.
(d) Earning capacity.
(e) Dividend-paying capacity.
(f) Whether there is goodwill or any other intangible value.
(g) The price of the most recent public sale of the company stock and the size of the stock offering.
(h) The market price of the stock of comparable companies that are actively traded on either a national, regional or over-the-counter stock exchange.

Although the valuation of a closely held company requires consideration of all these relevant valuation factors, certain factors carry more weight than others. A determination of value will depend upon the circumstances in each case.

Earnings could be the most important criterion in some cases, whereas the value of the tangible assets could be more important in others. In general, primary consideration should be accorded earning capacity in the valuation of a company that sells products or services to the public. If earnings are absent, then greater weight should be accorded the value of the tangible assets.

In a public company, value is determined by the market price of the common and preferred stock. In a closely held company or a professional practice, value cannot be fixed by the capital markets. It can only be determined by the ability of the business to generate profit.

In the final analysis, the value of a specific closely held company or medical practice depends upon the degree of optimism or pessimism the market has regarding the reliability and continuity of its earning capacity. Uncertainty decreases value.

The value of a medical practice is determined by the likelihood of retaining business from existing patients and obtaining business from new patients. The emphasis is on the amount of professional goodwill that can be transferred from one doctor to another. This differs from a non-medical business where the emphasis is on goodwill that stems from trade marks, product line, brand name, et cetera.

Revenue Ruling 59-60 states that a sound appraisal of a closely held company or medical practice considers economic conditions which prevail as of the date of the appraisal.

Although the appraiser should obtain profit-and-loss statements for a representative period of time, emphasis should be placed on current earnings, rather than a projection of future earnings, which can be uncertain and speculative, or past events, which are unlikely to recur.

In order to apply Revenue Ruling 59-60 in the valuation of a medical practice, it is necessary to capitalize current earnings or discount future earnings at a capitalization rate or discount rate that indicates the potential attrition or erosion in professional goodwill. The most important criteria in determining a capitalization rate or discount rate are:

a. The national or regional economic outlook.
b. The condition and outlook of the health-care industry and the medical profession.
c. The quality of the earnings of the subject practice.
d. The clinical excellence and unique characteristics of the practitioner.

Standard of Value

The fair market value of a medical practice is the price at which the subject practice would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell.

The hypothetical buyer and seller are assumed to be able, as well as willing, to trade and are informed about the property and the market for such property.

Fair market value takes into account the special advantages of an established medical practice such as practice reputation, patient management, maldistribution, location, professional referents, operations and business management, et cetera that contribute to earning capacity.

Fair market value indicates the likelihood that patients of record will continue to purchase medical services from the practice as long as the quality of patient care is satisfactory and professional standards are maintained, and therefore, it reflects the amount of professional goodwill that can be transferred from one doctor to another.

Method of Appraisal

There are three generally accepted approaches that are used to determine the value of a medical practice: Income Approach, Market Approach, Cost Approach.

1. Income Approach

The income approach either capitalizes current earnings or cash flow or discounts future earnings or cash flow to determine the present worth of the future benefits of an ownership interest in a company or medical practice.

The two-income approach methods of appraisal are:

A. Capitalized-Return Method

The capitalized-return method is used when the historical operating trend of a company is indicative of its future operating trend. In other words, the annual rates of growth (decline) in the operations of the company fluctuate around a trend line that is predictable.

The capitalized-return method converts a current stream of income into a standard of value. The capitalization rate is a divisor or a multiplier that is used to compute the present worth of a single-period benefit stream. The single-period benefit stream is the net earnings or net cash flow the practice is expected to generate in the future.

There are many versions of the capitalized-return method. The capitalization-of-earnings method, debt-capacity method and excess-earnings method are three of the most widely used. The capitalization-of-earnings method and the debt-capacity method are similar because both compute the present worth of a single-period benefit stream.

The Capitalization-of-Earnings Method

The focus of the capitalization-of-earnings method is on the rate of return a practice owner or buyer expects to receive from his/her investment in the practice.

The rate of return includes income as well as capital appreciation. The capitalization rate is determined by the rate of return available in the market for risk-free investments plus a premium to compensate the investor for the lack of liquidity and assumption of capital risk.

The Debt-Capacity Method

The debt-capacity method capitalizes earnings or cash flow to determine the maximum amount of debt that a practice can service.

The focus is on the break-even point or the amount of total income collected the practice must generate to meet all fixed and variable practice expenses as well as pay the doctor(s) a market rate of compensation and amortize debt.
The capitalization rate, which is determined by the capital risk inherent in the

normalized net earnings or cash flow of the practice, determines the maximum amount of money a prudent lender would extend to a qualified borrower. This is the maximum price a willing buyer can afford to pay or the maximum financial leverage of the practice.

The Excess-Earnings Method

The excess-earnings method, which capitalizes the earnings or cash flow in excess of a fair rate of return on the tangible assets to determine the value of the intangible assets, uses two capitalization rates.

The capitalization rate on the tangible assets is the rate of return required to attract capital. The capitalization rate on the intangible assets is the rate of return that is available in the market for risk-free investments plus a premium for risk and the lack of liquidity.

B. Discounted-Future-Return Method

The discounted-future-return method is used when the future operating trend of the company is expected to differ significantly from the historical operating trend.

The discounted-future-return method discounts a future stream of income in order to determine its present value.

The discount rate is the rate of return, i.e., income as well as capital appreciation, that a practice owner or buyer expects to receive from his/her investment in the practice. The discount rate determines the present value factors that are used to compute the present value of multiple-benefit periods.

2. Market Approach

The market approach assumes that the value of a specific company or practice can be determined by establishing the value of a guideline company or practice. For example, the value of specific medical practice can be determined by the ratio of the sale price to the total income collected of comparable practices which have recently been sold.

The market approach is based upon the principle of substitution, which states that a prudent buyer will pay no more for a practice than it would cost to acquire a substitute practice that provides the same benefits.

3. The Cost Approach

The focus of the cost approach is on the value of the assets of a specific company or medical practice, not its earning capacity.

Since the cost approach does not take into account the earnings or cash flow that the assets produce, it disregards intangible assets and concentrates on tangible assets.
The two-cost approach methods are:

A. Net-Worth Method

The net-worth method assumes that the value of a specific company or medical practice is the value of the adjusted fair market value of its assets minus the adjusted fair market value of its liabilities.

B. Liquidation Method

The liquidation method assumes the company or practice will cease to operate, sell all its assets and use the proceeds to liquidate its liabilities.

A medical practice possesses unique characteristics that a non- medical company does not possess. Consequently, certain valuation approaches or methods of appraisal are not appropriate and should not be used to value a medical practice.

For example, since few, if any, medical practices are comparable, the market approach has severe limitations and should only be used in conjunction with another appraisal method. In a medical practice, the emphasis is on the value of professional goodwill. The cost approach disregards professional goodwill and concentrates on the value of the tangible assets.

Since the discounted-future-return method relies on a projection of future earnings, it can be speculative and misleading. The excess-earnings method focuses on the value of the intangible assets not the value of the business enterprise. It is difficult to apply and has a history marked by controversy and misuse.

In the opinion of the appraiser, the debt-capacity version of the capitalized-return method of the income approach is the most appropriate appraisal method for the valuation of a medical practice.

The capitalization-of-earnings method and the debt-capacity method are similar; both capitalize earnings or cash flow to determine the present worth of a single-period benefit stream. However, since the focus of the debt-capacity method is on the transfer risk or amount of goodwill that can be transferred from one doctor to another, it is the most fitting method of appraisal to value a medical practice

The Debt-Capacity Method is designed to place a value on the practice that will simultaneously provide a practice owner or buyer with enough time and cash flow to service debt, compensate him/her for rendering professional services, and give the practice owner a realistic value for professional goodwill.

DEBT-CAPACITY METHOD

$$\text{VALUE} = \frac{\text{(ADJUSTED NET CASH FLOW)}}{\text{(CAPITALIZATION RATE)}} \times \text{AMORTIZATION FACTOR}$$

DEFINITIONS:

EBITDA

EBITDA or adjusted net cash flow is the cash flow available for debt amortization before income taxes but after fixed and variable expenses and professional compensation are paid. Non-recurring or extra-ordinary expenses as well as excess professional wages and discretionary fringe benefits are eliminated to normalize practice earnings.

Debt Service Coverage Ratio (DSCR)

The Debt Service Coverage Ratio (DSCR) reflects the capital risk peculiar to a specific practice as well as the general economic outlook and the outlook for the health-care industry.

The DSCR indicates the attrition or potential erosion of professional goodwill. The lower capital risk, the lower the capitalization rate and the higher the value of the practice.

The precise DSCR depends upon medical economics, EBITDA quality, the predictability of future EBITDA and the perceived risk of attrition as of the date of valuation.

Amortization Factor

The amortization factor, which is the statistical summation of the terms and conditions of a credit accommodation, reflects the principal ratio and term of the loan.

The principal ratio, which is the percentage of each loan payment that is applied to principal, is a function of the interest rate and the term of the loan.

The term, which is the repayment period of the loan, is determined by the term limit for commercial loans set by a lender according to credit policy.

Since medical practice accounting is cash basis accounting, income is recognized when services are collected, not billed. Consequently, accounts receivable reflect future, not current, income.

Since accounts receivable do not appear on the balance sheet of a medical practice, the Debt-Capacity Method does not take into account the value of the accounts receivable. These assets should be valued separately.

PURPOSE OF APPRAISAL

Appraiser has been engaged to appraise the debt-free value of the patient records and tangible assets of the orthopaedic and sports medicine practice known as Bone & Joint Medicine Associates, PA. The appraisal is being conducted to determine the fair market value of said assets for the purpose of the development of a short- and intermediate- term strategic plan.

The effective date of the appraisal is September 30, 200X; the date of the report is December 4, 200X.

In order to determine the fair market value of the tangible assets and client records of the subject practice, the appraiser reviewed Form 1120S (U.S. Corporation Income Tax Return) for the fiscal years ended December 31, 200X, December 31, 200Xand December 31, 200X as well as management reports and other pertinent statistical data and information that was available.

The appraiser did not review the profit-and-loss statements of Bone & Joint Medicine Associates, PA or other pertinent statistical data for any prior or subsequent fiscal year or interim period.

VALUATION

Fair Market Value

Upon careful examination and analysis of the relevant industry-specific and practice-specific valuation factors, it is the opinion of Appraiser, that, as of September 30, 200X, the fair market value of the patient records and tangible assets of the Subject Practice is two hundred five thousand dollars ($205,000).

The above mentioned value takes into account market conditions that determine the amount of professional compensation, but does not consider the effect of actual physician wages. If said wages is taken into account, it is the opinion of Appraiser, that, as of September 30, 200X, the debt-free value of the above mentioned assets of the Subject Practice is one million three hundred fifty five thousand dollars ($1,355,000).

The fair market value of the tangible assets and client records of the Subject Practice doe s not include the value of the real estate located at Hook Road Extension, Anytown, USA or the accounts receivable. These assets should be valued separately.

Appraiser assumes that the client records and tangible assets of the Subject Practice are owned free and clear of all liens and encumbrances.

DEBT-CAPACITY METHOD

VALUE = (ADJUSTED NET CASH FLOW) X AMORTIZATION FACTOR
(CAPITALIZATION RATE)

ASSUMPTIONS:	FMV Doctor Wages	Actual Doctor Wages
1. EBITDA	$84,571	$84,571
2. DSCR	2.040*	1.039*
3. Amortization Factor	4.9458	4.9458

*The equivalent capitalization rate for the Capitalization-of-Earnings method FMV Doctor Wages is 41%; the equivalent capitalization rate for the Capitalization-of-Earnings method Actual Doctor Wages is 21%.

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Break Even Point

Break Even Point analysis indicates the amount of total income collected that must be generated from patient-service activities to meet all fixed and variable practice expenses, pay the doctor(s) a market rate of compensation for rendering professional services and amortize the maximum amount of debt the practice can service.

$$\textbf{BREAK EVEN POINT} = \frac{\textbf{TOTAL FIXED COST}}{\textbf{1.0 - \% VARIABLE COST}}$$

DEFINITIONS:

Total Fixed Cost: Any expense, such as fixed practice expenses, professional compensation and loan amortization that does not vary with the number of patient visits. Fixed practice expenses include items such as rent, staff salary, insurance, and utilities and telephone.

Variable Cost: Any practice expense, such as clinical supplies, laboratory fees and non-yellow page advertising that will vary with the number of patient visits. % Variable Cost is the ratio of variable cost to total income collected.

ASSUMPTIONS:

ASSUMPTIONS:	FMV Doctor Wages	Actual Doctor Wages
1. Fixed Practice Expense	$1,288,667	$1,288,667
2. Doctor Compensation	$752,543	$520,116
3. Loan Amortization	$41,450	$273,971
Total Fixed Expense	$2,082,660	$2,082,754
% Variable Cost	2.1%	

Assuming the fair market value of the Subject Practice is two hundred five thousand dollars ($205,000) re: FMV Doctor Wages, a buyer will need to generate total income collected of two million eighty seven thousand sixteen dollars ($2,087,016) to break even given the above assumptions.

Assuming the fair market value of the Subject Practice is one million three hundred fifty five thousand dollars ($1,355,000) re: Actual Doctor Wages, a buyer will need to generate total income collected of two million eighty seven thousand one hundred eleven dollars ($2,087,111) to break even given the above assumptions.

Bone & Joint Medicine Associates, PA

Notes to the Adjusted 12/31/0X Statement of Revenue and Expense

NOTE 1: Automobile Expense

The adjusted statement considers the expense center Automobile Expense a discretionary fringe benefit which is a component of professional compensation not a practice expense.

NOTE 2: Entertainment

The adjusted statement considers the expense center Entertainment a discretionary fringe benefit which is a component of professional compensation not a practice expense.

NOTE 3: Gifts

The adjusted statement considers the expense center Gifts to be optional. If the buyer chooses to bestow gifts, cash flow will be reduced accordingly.

NOTE 4: Travel

The adjusted statement considers the expense center Travel a discretionary fringe benefit which is a component of professional compensation not a practice expense.

NOTE 5: Professional Compensation

Gross practice income is made up of two components: professional compensation and net income before taxes. Professional compensation, which includes, but is not limited to wages, bonus, incentive compensation, and voluntary contributions to a 401(k), 403(b), Keogh or Section 125 plan, but not employer contributions to any pension, profit-sharing or other retirement accounts, life and health insurance, automobile or other expense reimbursements, is the income earned by a doctor for rendering professional services.

Market conditions determine the amount of professional compensation.

Net income before taxes is the earning capacity of the practice. It is profit that accrues to the practice owner(s) and compensates him/her for capital risk. Entrepreneurship and expertise in management, marketing and administration determine the amount of net income before taxes.

In order to determine professional compensation, the appraiser reviewed the following professional publication and compensation stu6Data.

Upon careful examination of the data as aforesaid, it is the opinion of Appraiser that aggregate professional compensation is $752,543 or 36.4% of total income collected.

NOTE 6: Interest and Other Income (Loss)

The adjusted statement considers the profit center Interest and Other Income (Loss) not to be a function of patient service activities.

NOTE 7: Interest Expense

The adjusted statement assumes all practice assets are free and clear of all liens.

NOTE 8: Federal & State Tax Provisions

Appraiser does not provide accounting advice or legal counsel. Individual income tax strategies as well as provisions of the federal and state tax code are complex and ever-changing. Tax questions, as well as the provisions of contract law, should be reviewed carefully with accounting and legal professionals.

NOTE 9: Loan Amortization

The adjusted statement of revenue and expense assumes the following terms and conditions for the term debt required to complete the buy-out:

Five Year Treasury Bond + 200 basis points or 6.39%
Repayment Period 7 Years

As of the date of the report, December 4, 200X, the five year Treasury bond as reported in the Wall Street Journal was 3.39%. Because the five year Treasury bond is subject to change from time to time, there may be differences between the pro forma and actual results and those differences might be material. Appraiser assumes no responsibility or liability for said differences.

Principal and interest payments commence immediately.

STATEMENT OF QUALIFICATIONS, LIMITATIONS AND CERTIFICATION

The accompanying appraisal report was prepared for Sylvan Gold, MD for the purpose and valuation date specified herein. It should not be used for any other purpose and is not valid for any other valuation date.

The opinions expressed herein are dependent upon the accuracy of the information received and pertain solely to this report and should not be taken out of the context of this report.

The information contained in this report has been obtained from sources considered reliable; however, the appraiser assumes no liability for such sources.

This appraisal is subject to such conditions or circumstances that an investigation of the practice would disclose. The appraiser assumes that practice assets are owned free and clear of liens and encumbrances.

There may be differences between the normalized and actual results because events and circumstances frequently do not occur as expected and those differences might be material. Appraiser assumes no responsibility or liability for any deviation in the performance of the practice for any period subsequent to the date hereof.

Tax questions, as well as provisions of contract law, should be reviewed carefully with legal and accounting professionals.

I certify that, according to the best of my knowledge and belief:

1. The analysis and conclusions that are expressed herein are only limited by the appraisal qualifications and limitations and are the personal, unbiased, professional opinion of the appraiser.

2. Neither Appraiser nor its principals or employees have any present or contemplated future interest in the property that is the subject of this report.

3. The fee that is paid to Appraiser for determining the value of the subject practice is not contingent upon the amount of an award in a property settlement or court action; or the consummation of a purchase and/or sale transaction; or any conclusion that was specified in advance by the practice owner or client; or the amount of the appraised value; or the occurrence of any subsequent event.

4. The analysis and conclusions expressed herein and this report conform to the Uniform Standards of Professional Appraisal Practice.

This report and its analytical methods, in whole and in part, constitute confidential proprietary information to which Appraiser reserves and protects all rights and interests.

Beyond its own use, as described to Appraiser by the client, the recipient agrees to keep confidential the entire report.

____

David J. Shuffler

David J. Shuffler
Appraiser
201-819-0087   fax: 828-252-8372

David J. Shuffler is the Director of Management Services for Appraiser, a strategic management company that offers physicians, dentists, veterinarians and other health care professionals a wide range of consulting services such as Practice Appraisal; Business and Strategic Planning; Marketing and Loan Origination.

Mr. Shuffler, who is a strategist, specializes in practice valuation and is expert in medical practice finance. He has appraised over 800 doctor practices and has been court appointed to perform practice appraisals and offer expert witness testimony in New Jersey, Alaska, New Hampshire, Pennsylvania and Wisconsin. He adheres to the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and Principals of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

Prior to establishing Appraiser, Mr. Shuffler was the Director of Client Services and founder of Physicians Business Advisors, LLC, a valuation consultant. He also started The Paragon Group, Inc., a specialist in health care appraisal, medical practice management and dental and chiropractic brokerage. Additionally, Mr. Shuffler established and managed the medical practice finance group at Midlantic Bank and National Westminster Bank, NJ. He developed the credit criteria for extending loans to medical professionals and underwrote over $160 million in doctor loans.

Mr. Shuffler wrote curriculum and presented seminars for professional organizations, dental and chiropractic colleges and medical residency programs and authored appraisal and management articles for medical periodicals such as *Medical Economics*, *Journal of the American Chiropractic Association*, *Optometry Economics*, *Podiatry Management* and *Journal of the New Jersey Dental Association*. His “Practice Hotline” column appeared in the Bergen County Medical Society *Medical Report,* Passaic County Medical Society *News and Notes,* and *Journal of the New Jersey Dental Association*. Mr. Shuffler also authored “The Beginning Physician’s Guide for Financing a Practice” and “The Banker’s Guide to the Doctor Market: Principles of Medical Risk Analysis.”

He presented his workshop “The Partnership Track” at the Atlantic Coast Veterinary Conference and spoke to the Medical Society of New Jersey on “Setting the Right Price for Your Practice.” He addressed the Bergen County Bar Association; American Academy of Matrimonial Attorneys, NJ Chapter; Association of Trial Lawyers of America, NJ Chapter; Family Law Section, The Inns of Court Program and Passaic County Chapter of the New Jersey Society of CPAs on “How to Value a Medical Practice in These Changing Times.”

Mr. Shuffler received a Bachelor of Science in Economics with a concentration in marketing and finance from the Wharton School of Finance and Commerce, University of Pennsylvania.

GUEST SPEAKER:

Medical Society of New Jersey
University of Medicine & Dentistry of NJ
New Jersey Hospital Association
Palmer College of Chiropractic
St. Joseph's Hospital & Medical Center
New York Chiropractic College
St. Mary's Medical Center
N.J. Assn. of Certified Public Accountants
Middlesex County Medical Society
American Academy of Matrimonial Lawyers
Westchester County Medical Society
American Chiropractic Association
Bergen County Bar Association
American Society of Appraisers Chapter #73
Hackensack University Medical Center
Mountainside Hospital Medical Center
Englewood Hospital & Medical Center
Bergen County Medical Society
Bronx County Medical Society
Jersey City Medical Center
St. Barnabas Medical Center
Passaic County Medical Society
N.J. Veterinary Medical Association
Atlantic Coast Veterinary Conference
Union County Dental Society
Association of Trial Lawyers of America
NJ Chapter
America Outdoors
Family Law, Inns of Court Program
South Ocean County Hospital Foundation

PUBLICATIONS:

Journal of the American Chiropractic Association
"How to Turn a Successful Associateship into a Successful Partnership"
Chiropractic Showcase Magazine
"The Partnership Track"
"What is Your Associate's Worker Status?"
"Group Practice: A Strategic Response to a Changing Health-Care Environment"
Chiropractic Economics
"The New-Doctor's Associate Employment Agreement"
Medical Economics
"Setting the Right Price for Your Practice" Quoted extensively.
"Do You Need a Broker to Help Sell Your Practice?" Quoted extensively.
The Medical Report
"The Practice Hotline" - A Quarterly Q & A Column for the Bergen County Medical Society.
News and Notes
"The Practice Hotline" - A Quarterly Q & A Column for the Passaic County Medical Society.
Optometric Economics
"Seeking the Substance of Practice Valuation"
Podiatry Management
"Buying and Selling a Practice"
Journal of the New Jersey Dental Association
"Let's Make a Deal: A Dentist's Guide to Buying and Selling A Practice"
"Mergers and Groups without Walls: The Salvation of Private Practice".
"The Practice Hotline" - A Quarterly Q & A Column.