NCPA Pruitt-Schutte Live Student Business Plan Competition

Saturday, October 9, 2004
3-4:30
In an effort to promote interest in independent community pharmacy ownership, the National Community Pharmacists Association (NCPA) and NCPA Foundation have established the NCPA Pruitt-Schutte Student Business Plan Competition. The goal of the competition is to motivate pharmacy students to create the blueprint necessary for buying an existing independent community pharmacy or to develop a new pharmacy. The NCPA Pruitt-Schutte Student Business Plan Competition is the first national competition of its kind in the pharmacy profession. The competition is named to honor two great champions of independent pharmacy, Neil Pruitt, Sr., and H. Joseph Schutte.

NCPA is the national organization that represents community pharmacy. Community pharmacies are “laboratories of innovation” for the profession. Our members have an interest in serving patients while owning their own business. A business plan is a core component of a successful entrepreneur. This competition is intended to facilitate the development of the business planning process and ultimately result in more pharmacy entrepreneurs.

According to the Small Business Administration, “A business plan precisely defines your business, identifies your goals, and serves as your firm’s resume. The basic components include a current and pro forma balance sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application.”

The award is supported by contributions from the H. Joseph Schutte family, the Neil Pruitt family, and Mallinckrodt Pharmaceuticals.

16 business plans from pharmacy schools across the country were submitted. These were judged by a panel of six judges and three top finalists were chosen.
Agenda

Welcome
Anne Corbett, NCPA Assistant Director
Student Affairs

Opening Remarks
Sharlea Leatherwood, NCPA President
Charles West, NCPA Foundation President

Rules, Introduction
Douglas Hoey, NCPA SR VP Practice Affairs &
Foundation Secretary

Introduction of Judges
Tom Murry, Director Student Affairs

Business Plan Presentations
Robert Wenzel
David Rankin, Team Advisor
University of Kansas

Scott Tomerlin, Gabriel McLemore, Teresa
Hesher, and Cory Patterson
Dr. Richard Jackson, Team Advisor
Mercer University

Jennifer Aichele, Jaclyn Lopez, Jeana Little,
and Silvia Perez
Linda Garrelts-MacLean, Team Advisor
Washington State University

Closing Remarks
Anne Corbett
Neil L. Pruitt, Sr.
In Memoriam

Neil L. Pruitt, Sr. said it best. “Life is an adventure. One should live it to its fullest. And I am!” His commitment to his family, his friends, his profession, his community and his environment was demonstrated in genuine and tangible ways. Mr. Pruitt's willingness to lend a hand and to be mindful of the needs of others engendered respect and affection from everyone he knew. From a single independent pharmacy in northeastern Georgia, Mr. Pruitt grew his company, United Health Services into a multifaceted health care organization with operations in several southeastern states. He graduated from the University of Georgia School of Pharmacy and served as president, director and chairman of the board of the Georgia Pharmaceutical Association, president of the National Association of Retail Druggists and a member of the Board of Trustees of the NCPA Foundation. Mr. Pruitt was active in a wide range of civic and charitable organizations and held public office as Mayor of Toccoa, Georgia. Named to honor two visionary leaders of independent pharmacy, the NCPA Pruitt-Schutte Student Business Plan Competition has been established to promote interest in independent community pharmacy ownership. “The business plan competition is symbolic of the entrepreneurial spirit that Neil exhibited throughout his career,” said Nancy Pruitt, Mr. Pruitt's wife. “Neil was also a tremendous advocate for students. He would be very pleased to have his name associated with this competition.”

H. Joseph Schutte

When H. Joseph Schutte received his bachelor of science degree in pharmacy from the University of Kentucky College of Pharmacy, he landed a position as a representative for Eli Lilly and Company. It was a great first job but it wasn’t long before he recognized that independent community pharmacy would enable him to take full advantage of his entrepreneurial skills. He purchased Jeffersontown Pharmacy and that was just the beginning. He later established Pharmacare Inc., a company that provided services for thousands of patients in long-term care facilities in Kentucky, Indiana and Ohio. Needless to say owning a successful and growing business has kept Mr. Schutte very busy but he has always made time to serve his profession on the local, state and national level. Locally, he was the President and Chairman of the Board of the Jefferson County Academy of Pharmacy. A four-year appointment to the Kentucky Board of Pharmacy including a term as its President gave him an opportunity to share his expertise with others in his profession. An active member of the Kentucky Pharmacists Association, his committee participation included focus on Legislative Affairs, Budget and Finance and Economic Affairs. He accepted two appointments to the Kentucky Certificate of Need and Licensor Board. Mr. Schutte’s national involvement has included membership in the American Society of Consulting Pharmacists (ASCP) and the National Community Pharmacists Association (NCPA) as well as a term as President of the National Council for Prescription Drug Program. Since 1975, he has served in a number of leadership positions in the NCPA, which culminated in his election to its Presidency in 1986. He has served on the Board of Directors of the NCPA Foundation since 1999.

His community benefits from Mr. Schutte's skills and abilities though his membership and service as President of the Rotary Club and the Veterans Drug Club. He serves on the Salvation Army Advisory Board and is a member of the Development Committee for the University of Kentucky College of Pharmacy and the Fund Raising Committee for Little Sisters of the Poor. Mr. Schutte's accomplishments have been recognized by his peers and by the business community. He is the recipient of the Bowl of Hygeia award and was honored as the Kentucky Pharmacist of the Year. He has received the Outstanding Kentuckian Award from the University of Kentucky College of Pharmacy as well as the Entrepreneur of the Year in Kentucky and Southern Indiana Award.

Today, Mr. Schutte is the Chairman and Chief Executive Officer of GeriMed Inc., a for-profit corporation organized to provide group purchasing services and programs to long term care pharmacies throughout the United States. His entrepreneurial spirit continues to bring him professional success and his generosity has led him to encourage future generations of independent community pharmacists as one of the founding benefactors of the NCPA Pruitt-Schutte Student Business Plan Competition.
Wenzl Drug, Inc
Business Plan Summary

Background Information –

- Seeking to purchase pre-existing pharmacy in Phillipsburg, Kansas, population 2,700
- Requesting owner financing for purchase of Pharmacy assets on January 1, 2006
- Judges will be addressed as if they are the current owners

Parties Involved –

- Buyer/Borrower: Robert L. and Stacie A. Wenzl
- Seller/Lender: David R. Rankin, Rankin Drug, Inc.
- New Business: Wenzl Drug, Inc. (a S-Corporation)
  719 Third Street, Phillipsburg, KS 67661
  (785) 543-5193

Current Products –

- Prescription medications
- Over-the-counter medications and health-related items
- Home medical equipment (small selection currently)
- Quality gifts

Current Services –

- Maintenance of patient medication records
- Screening of these records for drug related problems such as drug interactions, allergies and non-compliance
- Counseling on all prescription medication to ensure appropriate use
- Provision of information on the proper use of over-the-counter medication
- Serve as a triage for the community providing advice on minor health problems and referring those in need to other health care practitioners
- Provide emergency after-hours prescription service
- Provide delivery service for prescription drugs
- Friendly and knowledgeable service
Wenzl Drug, Inc  
Business Plan Summary

Opportunities for Growth –

- Comprehensive Health Programs
- Adult Immunization Delivery
- Diabetic Care
- Sales of Durable Medical Equipment
- Disease State Management
- Semi-Annual Health Fair
- Care Homes/Hospital
- Website
- Mail-Order Prescription Sales
- Delivery Services
- Compounding

Location and Facilities –

- Downtown convenient location, easily accessed, adequate parking
- Retain current location
- Assignable lease
- Extension of current rental agreement
- Below average cost of rent
- Existing store 25’ x 100’ - Storage room 15’ x 25’
- Additional storage space available
- Remodeled in 1999

Insurance and Security –

- Insurance and security measures are necessary to ensure the success of the Pharmacy:
  - General liability, property, automobile, workers compensation, inland marine, and errors and omissions insurance policies
  - Life insurance policy on myself
  - Various security measures to be implemented/continued
**Wenzl Drug, Inc**

**Business Plan Summary**

Community –

- County Seat
- Kirwin Reservoir and Wildlife Refuge
- Diverse economy – agriculture, manufacturing, insurance, county hospital, government, railroad etc.
- Likely location for new multi-million dollar ethanol plant

Competition –

- One other Pharmacy in the county:
  - Located in Phillipsburg
  - Co-owned by two Pharmacists in their mid-forties
  - Good relationship with Rankin Drug, Inc.
- Mail-order and Internet/Canadian Drugs

Marketing and Advertising –

- Pre-established patient & customer base
- Open house: Give away pens, magnets, pill boxes, notepads, etc…
- New sign on front of building
- Gift giveaway drawing at Christmas time
- First year budget of $9,000
- Promotion of current and new services:
  - Pamphlets
  - Radio, newspaper and yellow pages
  - Personal detailing-physicians, dentist, and other health care providers
  - Monthly presentation to local organization
  - Word of mouth
Wenzl Drug, Inc
Business Plan Summary

Community Involvement –
  ▪ Sponsorship of various community functions - Sports teams, Riverless festival, annual rodeo, etc…
  ▪ Personal involvement in community - Church, rotary, chamber, etc…

Interim/Transition –
  ▪ Approx. six months prior to purchase:
    o Move to Phillipsburg and work for Rankin Drug, Inc.
  ▪ Goals:
    o Customers, patients, employees and vendors to become familiar with us and vice-versa
    o Learn computer system, daily routine, become familiar with insurance plans and derive more specific goals for 2006.

Purchase Agreement –
  ▪ January 1, 2006 – sale/purchase of Pharmacy assets
  ▪ Value to be determined using “Jackson’s Method of Valuation”
    o Eight unique formula calculations over previous four years financial data and averaged to derive sale price

Medicare Drug Benefit –
  ▪ Potential impact on Pharmacy profitability
  ▪ Conservative projections-20% gross vs. current 23-24% gross margin
Wenzl Drug, Inc
Summary of the Loan Request

Buyer/Borrower: Robert Wenzl, Wenzl Drug, Inc.
Seller/Lender: David Rankin, Rankin Drug, Inc.

Amount of Loan: 100% of the purchase price of the Pharmacy plus approximately one month’s worth of accounts receivable to be used for working capital.

Term Requested: Ten years at a variable interest rate (determined each January 1 beginning 2006, based upon the prime interest rate as published in the Wall Street Journal on the first of January each year, which will be the then prime rate of interest plus 1%, provided, however, the variable rate shall not drop below 5% and shall not exceed 8%).

Collateral: The inventory and stock in trade, furniture, fixtures and equipment shall serve as collateral.

Guarantee: We shall personally guarantee the loan.

Other Conditions: We shall maintain term life insurance in an amount sufficient to extinguish the principal consideration balance due from time to time. The Lender shall be named as beneficiary of said life insurance policy.

Capitalization:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Cash</td>
<td>$ 25,000</td>
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<tr>
<td>Accounts Receivable</td>
<td>80,000*</td>
</tr>
<tr>
<td>Inventory</td>
<td>135,000*</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>80,000*</td>
</tr>
<tr>
<td>Goodwill</td>
<td>135,000*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$455,000</strong></td>
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</tbody>
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Loan Repayment: The loan shall be repaid from the business’ cash flow.

Debt/Equity Ratio: $430,000/$25,000 = 17.2/1

* These values are estimates. The actual values will most likely fluctuate from the above since a set purchase price has not yet been established and will not be established until time of sale.
Boston, MA.

Outline

Introduction.................................................................Scott Tomerlin

Description of the Business..............................Gabe McLemore
   i.  Product /Services Mix
   ii. Legal Team
   iii. Owner/Primary Management Structure
   iv. Protection and Safety Measures
       a. Insurance
       b. Security

Physical Description of the Business........Teresa Hesher
   i.  Interior Design
   ii. Exterior Design

Financial Information........................................Scott Tomerlin
   i.  Cash Flow Projection and Budget
   ii. Financial Statements
       a. Combined Pro Forma Income Statement
       b. Combined Pro Forma Balance Sheet
   iii. Projected Sales Volume
   iv. Expense Projections
   v.  Inventory Evaluation
   vi. Cost/Sq. Foot Evaluation

Marketing Plan.........................................................Cory Patterson
   i.  Target Market
   ii. Potential Market
   iii. Competition

Conclusion............................................................Scott Tomerlin

Question/Answer Session.................................Mercer Team
Judges

Robert Greenwood, R.Ph.  Greenwood Drug Inc., Waterloo, Iowa
Ed Hesterlee, Pharm.D.  Mallinckrodt Inc., St. Louis, Missouri
Steve Morton, CPA, MBA  Morton Pharmacy, Neenah, Wisconsin
Jim Vincent, R.Ph.  NCPA Foundation Treasurer, Yuma, Colorado
Bryan Yourdon, MBA  KeyCentrix, Wichita, Kansas
The National Community Pharmacists Association (NCPA) represents the nation’s community pharmacists, including the owners of 24,000 pharmacies. The nation’s independent pharmacies, independent pharmacy franchises, and independent chains represent a $78 billion marketplace, dispensing nearly half of the nation’s three billion retail prescription medicines.

The NCPA Foundation is a nonprofit 501(c)(3) organization established in 1953 to honor former NARD Executive Secretary John. W. Dargavel. The Foundation provides educational and research support to pharmacy faculty, students, and practitioners, and assists future pharmacists by providing scholarships and low-interest educational loans. Contributions to the NCPA Foundation are tax-deductible to the extent permitted under law.