

BUYING OR SELLING A VETERINARY PRACTICE? **THE DO-IT-YOURSELF FOLLY**

Most people have dreamed about designing their dream house. They can envision the white picket fence, the enlarged doorway leading to a grand staircase, the master suite that makes you feel like you are in a five-star hotel and the kitchen that seems to have everything in the right place. However, when those few people actually get to build their dream house, they enlist the help of professionals to help them realize their dream, instead of trying to build it themselves. They know that, although it is their dream, they do not have all of the tools required for them to build the perfect house. It is the same when veterinarians have decided to buy or sell a veterinary practice. Those that have the do-it-yourself mentality rarely live the dream because of problems that develop in realizing that dream, but those who enlist professionals to help attain their dream have the best chance of having their fantasies fulfilled.

When our law firm receives a call from a veterinarian who is either trying to buy or sell a veterinary practice, our first question is, “Who is on your team?” Quite often the reply is, “Team? What team?” While it may seem strange, this is how you should approach buying or selling a veterinary practice, with a team mentality. Purchasing or selling a veterinary practice has too many unique areas that are instrumental to the life of your practice or to your retirement, which an untrained eye will not be able to see or even understand. Brokers, attorneys, CPA’s and other professionals are people who you want on your team, and not all teams are equal. While any broker, attorney or CPA can help you with your purchase or sale, a unique subset of these professionals have crafted their professional practices around helping veterinarians. These professionals would be your All-Stars, the ones who know the industry inside-and-out, who don’t have to “learn on the job” and can quickly help you realize your dream. Below are some of the reasons why having these professionals on your team can help you realize your dream.

VETERINARY BROKERS

There is no better person to have on your team than a veterinary practice broker. These professionals have often spent years (if not decades) in the veterinary industry, they know everyone and have a long list of buyers and sellers to help you purchase or sell your veterinary practice to just the right person. Think of them as your team captain. For sellers, they can appraise the value of your practice quickly, market your practice to a wide array of potential buyers, give you expert advice on how to get the most money out of your veterinary practice and help facilitate the transaction. Although expensive, most veterinary practice brokers are worth their weight in gold and can help you close on your transaction. Our law firm has seen far too many do-it-yourselfers fail, time after time, when trying to sell their veterinary practice without utilizing a veterinary broker. For buyers, calling a veterinary practice broker will put you in touch with a long list of sellers along with an inventory to fit every budget. As a buyer, you can be assured that the veterinary broker will be working for you as well, because most of the veterinary practice brokers act as dual agents with both the buyer and the seller as their clients. One note of

caution in finding a broker to sell your veterinary practice: make sure it is a broker who specializes in selling veterinary practices and not a general business broker. Unfortunately, general business brokers do not have the expertise required to sell a veterinary practice and will provide you with a standard business purchase agreement which will not take into account the unique nature of a veterinary practice, i.e., uncompleted veterinary work, restrictive covenants, appropriate representations and warranties, redo work, etc. Using a general business broker will always be far less satisfactory than using a veterinary broker.

VETERINARY ATTORNEYS

Although there are thousands of attorneys to choose from in the State of California, very few (less than 10) have tailored their practice on a full-time basis around helping veterinarians in their business needs. Think of your attorney as your catcher or goalie: they take everything in but they stop the bad things from happening. As a seller, enlisting an attorney to review your purchase agreement is a way to protect you in your retirement or at your new veterinary practice which you are acquiring. There are many areas within a purchase agreement which can hurt your chances of continuing to practice veterinary medicine or can leave you “on the hook” for years to come due to issues like the past treatment of patients, etc. You should also have the attorney review your lease and draft an assignment of the lease to give to your landlord. Generally, you will remain liable under your lease for the life of your lease, which could be another 10-15 years! However, a veterinary attorney will try to remove this liability by speaking with the landlord and inserting a provision into the assignment of the lease relieving you of liability after a specified period of time. As a buyer, a veterinary attorney helps you primarily on two fronts, the purchase agreement and the lease. In a purchase agreement, the veterinary attorney will try to protect your new investment as much as possible, making sure the seller isn't hiding any problems in the veterinary practice and insuring that the seller won't compete with you after the sale of the practice. With the lease, the veterinary attorney will try to protect your goodwill and your leasehold interest (your lease) as much as possible since these are the most valuable assets you have in your veterinary practice. Unfortunately, many landlords don't understand what they have in their lease and many of these provisions can have a significant effect on the value of your veterinary practice when you go to sell it!

VETERINARY CPA'S

Although you may already have a CPA who works for you, if you are looking at purchasing or selling a veterinary practice, you may want to enlist a CPA who specializes in helping veterinarians and other medical professionals. As a seller, they can save you thousands of dollars in taxes by using the proper ratios for purchase price allocations, thus making them worth almost any fee you may pay them. As a buyer, a veterinary CPA can also save you thousands of dollars in taxes by using the proper ratios for purchase price allocations because of the heavy use of equipment within veterinary practices and changes within the tax code that many general CPA's are unfamiliar with. Having your veterinary CPA review the books and records of the veterinary practice, the

tax returns for the last two years and profit and loss statements will further protect you from an unscrupulous seller. Furthermore, when purchasing a veterinary practice you may want to enlist the services of a veterinary CPA to help you with all of your business needs since owning and running a veterinary practice is much different than running a general business. Veterinary CPA's have spent years helping veterinarians with day-to-day business needs and they know how to best run your payroll department or to help you receive a deduction for that new piece of equipment that you have been eyeing for the past six months. Out of all your advisors, your veterinary CPA will be the one who is around the longest, helping you on a yearly basis with taxes and other business issues.

But if You Choose Not to Hire a Broker. . .

While we always encourage the use of a veterinary practice broker, we also understand that not all of you will want to utilize the services of a broker because you either have already found your buyer/seller or you simply just do not want to pay the fee associated with a broker. If you choose to go down this path you need to understand that you will be in peril at every step you take if you are intent on not enlisting any professionals to take the place of the broker. Without a proper purchase agreement, lease or proper business entity, you stand the chance of losing everything. Again, we have seen too many veterinarians wind up in litigation over the rights and duties of the parties. While it may seem patronizing coming from an attorney it is still true: generally, nobody wins in litigation.

Understanding this, we have modified our services to serve this contingent of veterinarians in order to protect those who need protection the most. As part of our overall mission to protect veterinarians within the legal sphere in which we do business, we believe that we can craft the protection and peace of mind you need when buying or selling your veterinary practice. In doing so, we would find financing for your veterinary practice, place you with the right CPA, draft a comprehensive purchase agreement, negotiate your lease (new or amended) and help you find the right business entity for your veterinary practice. We are here to help facilitate your transaction and do so on a fixed fee basis. This will help to keep your transaction costs low while giving you the proper protection and sanctity you deserve.

The name Wood & Delgado has long been associated with the protection of veterinarians in the Western United States, and as part of the biggest law firm in California whose primary emphasis is representing the interests of veterinarians, we believe that our experience can help you. While we always recommend doctors use a licensed veterinary practice broker, we understand there are some veterinarians who will not do so under any circumstances. As such, we have broadened our list of services to help you facilitate the purchase or sale of your veterinary practice. Please call us to set up an appointment to discuss our services, and if you already have a broker involved in your transaction, we would be happy to assist you with our legal representation which has long been the standard in the veterinary community. Done correctly and methodically with a team approach, a veterinarian in California can cash in on the sale of his veterinary practice at

significantly higher values than ever in the state's history. There has never been a better time to sell and begin living your dreams.

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