

THE WRONG WAY TO BUY OR SELL YOUR VETERINARY PRACTICE

“Come to IKEA where you can afford brand new furniture at discount prices.” Your jaw hangs loose as you see the price pop up next to that new dining room table. You think to yourself, “I can actually afford that.” You find yourself running out the door to purchase the table. You find the table and only quickly stop to think, “This box doesn’t look like a table to me,” as you hand over your credit card to the cashier. However, the thrill of being able to eat on an actual table quickly pushes the thought out of your mind as you race home to open up the box to see your table. As you tear open the impossibly-taped-together box the choir singing in your head quickly stops as you stare at pieces of wood with a book the size of an encyclopedia that reads, “Assembling your new dining room table!” Undaunted, you turn to page one. Of course, three hours later when you are staring at a 3-legged “thing” and frantically turning to Appendix “C” to see where you went wrong it hits you that this might not have been the best idea. At the end of the weekend with your project finally completed you realize you were able to get a new dining room table for under \$200 but it took you six hours to assemble, your weekend was ruined and you still have three screws left over.

Let’s be honest, we’ve all suffered through the IKEA phase of life. Symptoms include: pulling up the couch cushions to look for loose change, ordering off of the “value” menu at a fast food place, using milk crates as a “perfect” coffee table in the apartment you somehow manage to just pay the rent on every month. However, by now you have probably moved on to delivered and pre-assembled furniture. You are past the do-it-yourself phase of your life. So why are you still trying to buy and sell your most important business asset by yourself?

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, CPA’s, attorneys and other professionals are people who you want on your team, and not all teams are equal. While any broker, CPA or attorney 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 have a dual agency to both the buyer and the seller. One note of caution in finding a broker to sell your veterinary practice: make sure it is an ethical broker (ask other advisors about the reputation of the broker) and run from brokers who act as a dual agent. We routinely run into extremely sad stories of people who “thought” they were being protected by dual agency brokers only to find out they had been taken advantage of.

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. 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.

VETERINARY ATTORNEYS

Although there are thousands of attorneys to choose from, very few 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 resell it! During the last few years there has been a huge influx of people claiming to have experience in this industry, so make sure that you investigate the credentials of the people who are claiming to be experts.

Although this brief article only mentions three types of professionals that can help you realize your dream, there are other professionals within the veterinary community that can help you just as much. Lenders who specialize in providing loans to veterinarians will generally provide a better rate than regular banks or other lending institutions, practice consultants can show you areas within your practice which you are not using to their full potential which can help you to make more money, as well as other professionals who have spent years with veterinarians helping to perfect the ownership or sale of a veterinary practice. The most important thing to understand when thinking of buying or selling a veterinary practice is that you are not alone. Unfortunately, our law firm receives too many calls from frantic veterinarians who have seen their dreams go up in smoke simply because they were trying to accomplish their dream on their own. Using advisors to help you in this stage of your professional life will be worth the extra cost to you, especially if you use professionals who are specialists in the veterinary community. Remember, the do-it-yourself mentality usually ends with a headache and an unrealized dream. Besides, who really wants to know what a slug nut is anyway, and if you already do I have a three piece “thing” sitting in my dining room I need you to fix for me.

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