THE STEP-BY-STEP

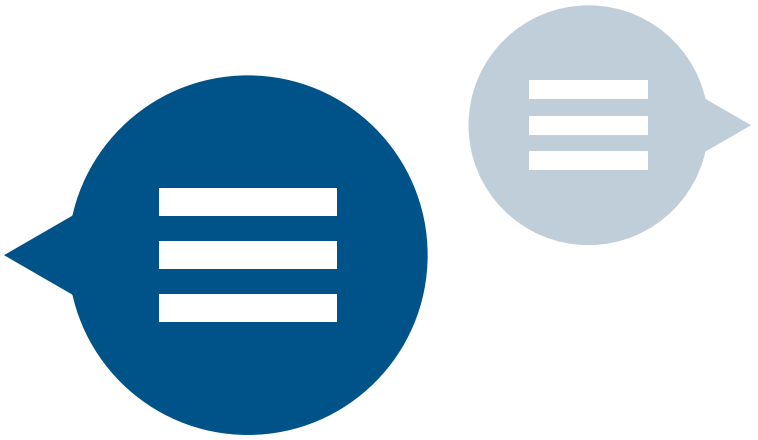
GUIDE TO BUYING A VETERINARY PRACTICE

A publication of

PRAXIS

TRANSITION SOLUTIONS

Define Goals

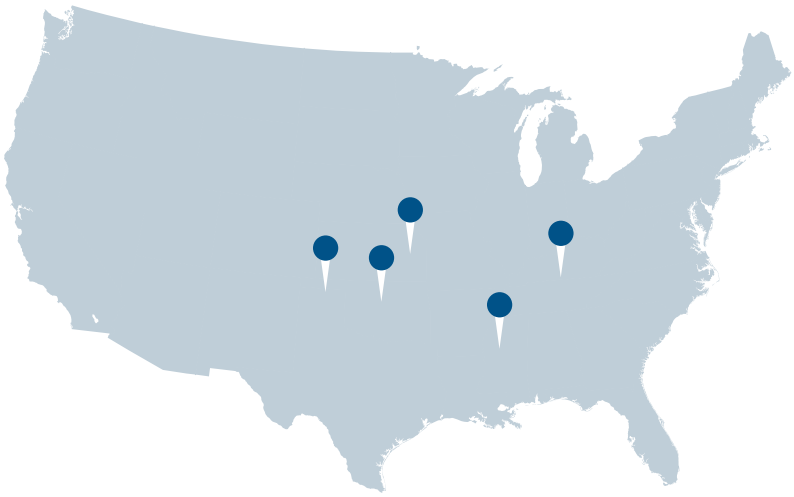


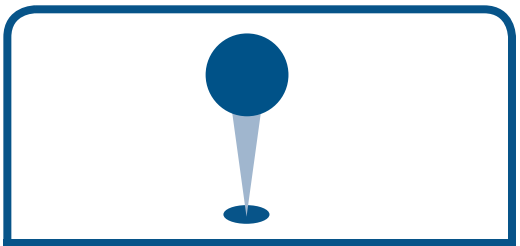
Define and analyze your personal and professional objectives.

Discuss the following with your Praxis advisor:

- Personal goals
- Professional objectives
- Debt and income requirements
- Family status & plans
- Risk tolerance
- Management capabilities and experience
- Personality type
- Educational background
- Desired practice type
- Desired buying method
- Desired location(s)
- Desired city type & size
- Desired career path
- Possible options
- What to expect with ownership
- Any other issues you, or your spouse, may have

Locate Practices





Confidentially find, examine, and visit practices that fit your criteria.

Explore your options in complete confidence

- Examine practices listed by Praxis
- Decide which practices are of interest to you
- Receive information on all practices of interest to you
- Get any follow-up questions answered
- Set up confidential appointments to visit practices
- Receive coaching for interviews
- Learn which practice metrics are important
- Locate additional practices in other areas
- Receive notifications of new listings

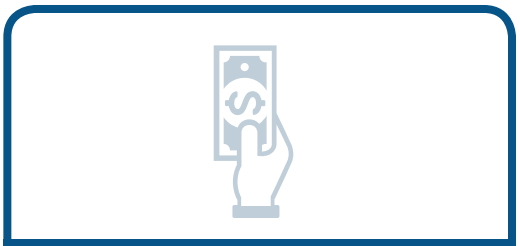
Determine Pricing

Determine a price that is fair, understood, and approved by all parties involved.

Your Praxis advisor will:

1. Value the equipment, furniture, supplies and the intangible value of your practice
2. Collect and analyze:
    - The practice's last three years of tax returns
    - The practice's last three years of revenue and expense statements
    - Income by category reports
3. Determine:
    - The value of procedures currently being referred out of the office
    - Production by provider
    - Whether any current provider will leave the practice after the sale
4. Analyze and innumerate the unadjusted profitability of the practice
5. Draft an adjusted cash flow and profitability statement to determine the true amount of benefits and income derived from the practice
6. Examine all of the practice's contracts with associates, staff, and others
7. Establish the purchase price and a detailed explanation of that price
8. Explain the methodology and validity of the price to both parties
9. Research the latest tax legislation and the effect on the practice sale
10. Allocate the purchase price for maximum tax benefits for both parties

Establish Payment Method

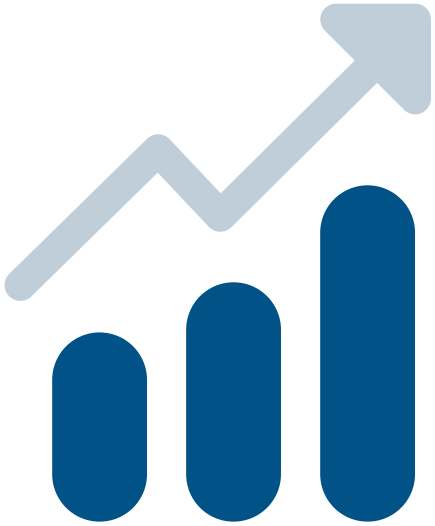


Establish the payment method that works best for both parties.

Your Praxis advisor will Discuss with you the various methods of payment:

- All cash
- Seller financing
- Part cash and part seller financing
- Earned equity and cash
- Earned equity and seller financing
- All earned equity
- Confirm your preferred method
- Discuss with the seller their preferred method of being paid
- Find a payment method that works for both parties

Structure Post-Purchase Plan



Decide how the practice will be structured after the sale takes place.

Work with your Praxis advisor to determine:

- Whether the practice can support both parties if the seller stays
- Whether the seller will remain with the practice after the sale
- How long the seller will remain with the practice after the sale
- How many days per week you can afford to have the seller work
- How you are going to pay the seller for his work
- Whether you will need additional staff if both of you work
- Sellers projected post sale production
- Your post sale production
- Breakdown production related expenses and fixed expenses
- Cash flow on a weekly and daily average basis
- How many days per week the seller can remain, based on the above analysis

Secure Financing

Find, apply, and obtain financing through several veterinary friendly lenders.

Your Praxis advisor will:

1. Recommend several banks that finance veterinary practice acquisitions
2. Contact the banks to send you an application
3. Assist you with completing the application
4. Prepare and submit a personal financial statement
5. Present a 10-year computerized income and expense projection to the bank for:
    - Working capital
    - Loan payments
    - The effect of inflation on income and expenses
    - Seller's projected post-sale production
    - Purchaser's projected added production
    - Breakdown production related expenses
    - Breakdown fixed expenses
    - Breakdown interest expense and loan amortization
    - Answer the bank's questions relating to the financial aspects of this purchase
    - Assist you in acquiring all needed insurance policies
    - Coordinate the bank loan closing and the practice acquisition closing
    - Review the bank's note, security, and subordination agreements with you

Draft Contract

Produce a non-adversarial, time tested, comprehensive, customized agreement.

Praxis will provide all parties a non-adversarial, time tested, comprehensive, agreement based on a win-win philosophy. We will, among many other things, address in our contracts:

- Sale of assets and description of categories
- Purchase price and method of payment
- Allocation of the purchase price for tax purposes
- Title considerations
- Date of possession
- Cash and accounts receivable
- Prepaid fees, extended treatment and work in progress
- Outstanding patient contracts, prepaid fees, work in progress, etc
- Assumption of patient care by the purchaser and patient refunds
- Announcements of the transaction to the public
- Taxes on the sale and transfer of assets
- Prorated expenses including staff employment consideration
- Restrictive covenant considerations
- Post-sale non-solicitation of patients
- Use of seller's name after the sale
- Patient records responsibilities
- Mutual Indemnification
- Lease and/or lease assignment
- Arbitration of disputes
- Personal guaranty
- Post-sale provider agreement
- Maintenance of the assets and insurance
- The office lease
- Events of default
- Rights and remedies on default
- Right of first refusal in the event of a sale by the purchaser

Close Sale

Form all necessary business entities, address last minute changes, and obtain signatures.

Your Praxis advisor will assist you in:

- Setting up a business account, incorporating, and applying for a business license
- Obtaining the necessary premises liability coverage required by the bank.
- Obtaining other needed insurances such as disability insurance or life insurance.
- Review the note, security agreement, acquisition agreement, and lending documents with you
- Work with the landlord to secure a lease that is acceptable to you and the bank
- Send the bank any documents needed to close the transition
- Address last minute changes to the contract.
- Obtain signatures on all documents by all parties.
- Provide executed agreements to the bank in order to facilitate funding.
- Schedule the closing with both parties and any advisors
- Obtain pertinent info required for wiring the working capital into the buyer's account.

Transition Efficiently

Transition into ownership in a way that will make your clients, and staff, comfortable and loyal.

Your Praxis advisor will:

- Provide you with a checklist of items that need to be completed after the sale
- Provide sample letters to mail to the clients notifying them of the transition
- Provide your accountant with an allocation form to assist with the filing of your income post-purchase tax
- Counsel both parties regarding the most beneficial way of introducing you to the staff
- Counsel both parties on post sale relationships and equitable treatment of all staff
- Counsel you regarding minimizing changes after the sale until you become very familiar with the practice
- Work both parties to familiarize you with the standard operating procedures of the practice
- Assist both parties with the proration of expenses
- Assist both parties with determining who is responsible for the staff's accumulated vacation pay
- Address any questions that may occur post-purchase regarding the contract or the relationship between you and seller