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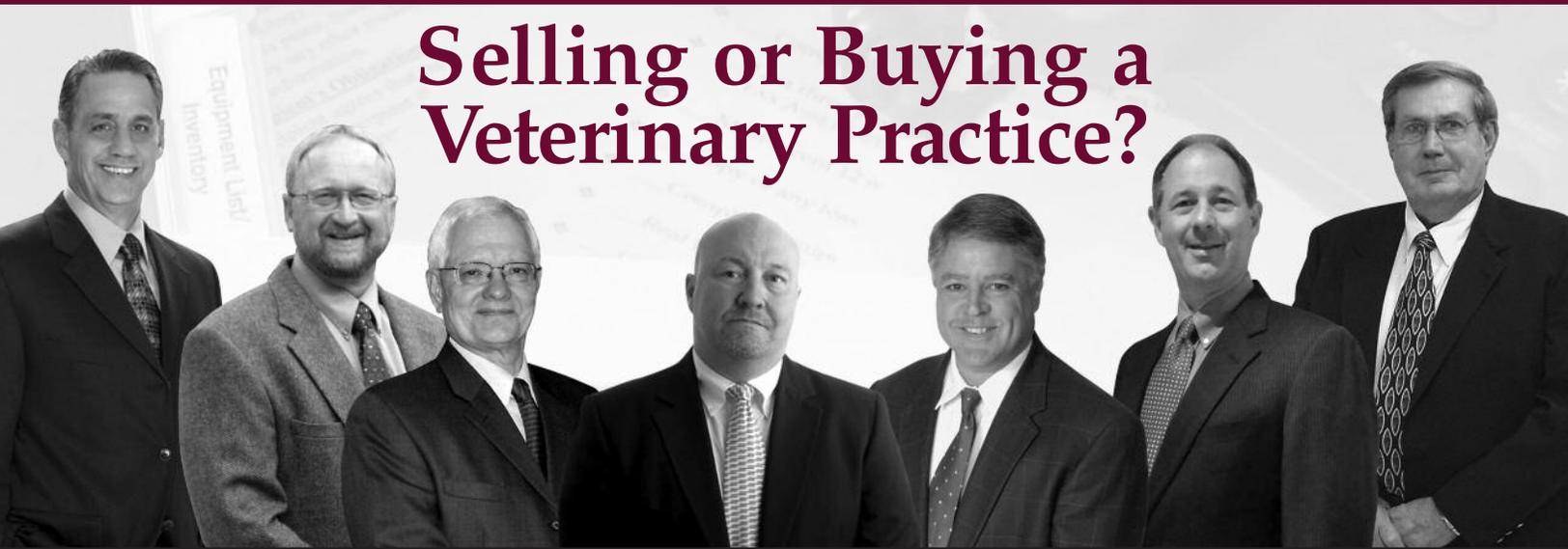
Veterinary Practice Sales

19603 Harrelson Drive
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*Veterinary practice brokers focused
on the financial success and growth
of fellow veterinary professionals.*

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Selling or Buying a Veterinary Practice?



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Visit our web site:
www.TotalPracticeSolutionsGroup.com
for information on practices for sale
and additional services.

Negotiating A Practice Sale

In order to maintain the best possible relationship between buyer and seller during a practice sale, it is important to have an intermediary or buffer such as a broker, attorney or accountant to assist in the negotiation of the sales of the practice assets. Selling a veterinary practice typically requires negotiation, and having a knowledgeable intermediary helps decrease any conflicts that may arise between the two parties.

As one might suspect, one of the first things that usually requires negotiation is the sale price of the practice. Occasionally the buyer may agree that the asking price for the practice is fair and there is no negotiation, but typically some negotiation occurs. Not too long ago, before lenders started offering 100% financing, it was necessary to negotiate the terms of the sale, i.e. how much was the seller willing to take as a down payment, would the seller carry back the acquisition note and if so, how many installments and what interest would be charged? Currently, the seller is typically cashed out at the time of closing.

Another area requiring some negotiation early in the purchase process is agreeing on a list of the assets that are or are not included in the sale. To try to head off any misunderstanding between the parties, the seller should make a list of things that will not be included in the sale. In doing so, when a potential buyer visits the practice and asks what things are included in the sale, the seller is prepared. If that issue is not dealt with early, it can lead to disagreements.

One area that often requires time and effort is the allocation of the purchase price. The sale price of the practice is allocated into various categories, and the allocation assignments have significant tax consequences to the buyer and seller.

The tax burden can be minimized with good advice from both parties' tax advisors. Once a Letter of Intent is signed, both parties' accountants should start working on the allocation agreement. Some of the more basic categories used in the allocation process are:

- Tangible Assets - consists mainly of equipment, furniture, fixtures, instruments and supplies.
- Intangible Assets - usually lumped together as goodwill and consists of patient records, telephone numbers, use of seller's name for a limited time and trained staff.
- Covenant - not to compete.

The greater part of the allocation usually goes to the intangible assets. Goodwill of the practice can be further broken down into personal goodwill and corporate goodwill.

Another area of negotiation involves the receivable accounts of the practice. If the buyer is purchasing a healthy accounts receivable, this will give him or her cash flow and he or she will probably not need to borrow as much operating capital. The accounts receivable are discounted based on the age of the

accounts, and that discounting is usually negotiated, although there is a fairly standard discount rate that both sides can accept.

The continued employment of the seller during the transition after closing is another area that requires negotiation. The transition is highly dictated by whether or not the facility is adequate to accommodate both doctors, and whether or not the patient base and practice revenues are sufficient to support both doctors.

The last primary area of negotiation has to do with the office facility. If the office is being leased, the buyer must negotiate a new lease. Note that the lender in the practice sale will require the buyer's lease to be the same amount of the office building, the buyer can either purchase the building or lease with an option to purchase later, and both scenarios require negotiation.



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Feeling the crunch?

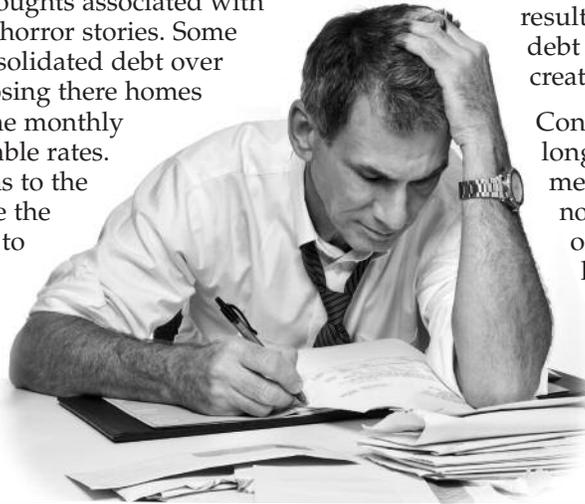
As the economy continues to find its way, everyone is beginning to feel the tightening up of the consumer. The patient today is still coming to the practice, but may not be taking the more costly approach for care. When patient visits are slightly down and procedure mix is not what's been anticipated, we can begin to feel the crunch between living expenses and business cash flow.

We have all heard the term debt consolidation before. Many of us may have negative thoughts associated with consolidating debt because of the horror stories. Some homeowners in the past have consolidated debt over the years and now are at risk of losing their homes because of balloon payments or the monthly payments escalated due to adjustable rates. In business, there are real solutions to the cash flow problem that can release the pressure valve that is created due to tight or nonexistent cash flow.

Cash flow is the amount of income available to pay all practice debts along with personal needs at home. Many

practices spend money on practice technology or tenant improvements, but not everyone takes cash flow into consideration. Many doctors decide to take short-term notes, lease specials, or zero interest programs that only last for 12 to 24 months. Over time these types of payments become too much to handle. The compounding affect to this type of cash flow management is when payments begin to pile up, flexible lines such as credit cards and business lines only get paid minimums. This results in the perfect storm of business debt and negative cash flow, which can create stress on the business and home.

Consolidating all of your debt into one longer term note with friendly prepayment options is a decision that could not only change the perspective at your office, but also reduce the stress at home. Bank of America Practice Solutions offers this type of opportunity*. The following is a real example of how we changed a doctor's cash flow position and, in turn, positively affected their life.



Original Practice Debt:

Type of Debt	Original Loan	Terms	Rate	Loan Remaining	Payment
Primary Bank loan on clinic	\$355,000	60 months	7.9%	\$280,000	\$7,181.14
Equipment lease 1	\$75,000	36 months	9.5%	\$42,000	\$2,402.47
Equipment lease 2	\$45,000	48 months	8.7%	\$15,000	\$1,113.42
Zero interest loan 1	\$15,000	12 months	0%	\$12,500	\$1,250
Zero interest loan 2	\$9,000	12 months	0%	\$6,000	\$750
Business line of credit	\$52,000	revolving	7.9%	\$37,000	\$1,040
Credit Card 1	\$12,000	revolving	12.9%	\$9,500	\$240
Credit Card 2	\$35,000	revolving	8.9%	\$22,500	\$450

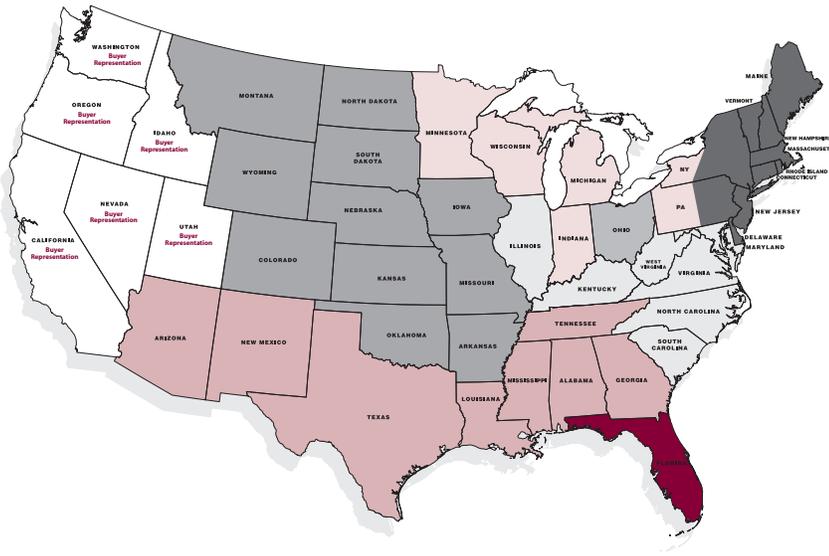
The total of all outstanding debt was \$424,500 with a monthly payment of \$14,427. This Doctor felt overwhelmed and helpless. The clinic was running great with collections over \$750,000 and income of \$227,000, but the debt payment totaling \$173,124 a year was smothering the doctors' business and personal life. Bank of America was able to help relieve the Doctor's stress. This resulted in an approved loan for \$424,500 with a 15 year term at 8.78% which has a monthly payment of \$4,250.10. This new loan program offered a yearly savings to the practice of \$122,121.

Wondering what would happen if the Doctor wanted a shorter term? An 8 year term at 8.9% would produce a payment of \$6,808 which would have saved our client over \$90,000. If your bank is unable to produce the result you need or you just want to comparison shop with another lender please feel free to contact me at 1.800.360.0669 or visit www.bankofamerica.com/practicesolutions.

Bank of America Practice Solutions

*All programs subject to credit approval and loan amounts are subject to creditworthiness. Some restrictions may apply. Banc of America Practice Solutions™ may prohibit use of an account to payoff or pay down another Bank of America account. "Banc of America Practice Solutions™ is a wholly owned subsidiary of Bank of America, NA. Banc of America Practice Solutions™ and Bank of America, NA are registered trademarks of Bank of America Corporation. The suggestions set forth above are not intended to express, imply or infer any guaranty of success or promised result, and are intended as guidelines only."

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MN, WI, MI, IN, OH, Western NY, Western PA

- **MN- New-** near Rochester. Gross \$850K, very profitable. MUST SEE!!
- **WI- Madison.** SA Px gross \$225K, buy for \$110K. Great starter practice with low purchase price and debt service.
- **WI- Central area near Wausau,** SA gross near \$600K, Px price \$325K.
- **SW WI** near Iowa and MN line. Gross near \$400K, Practice and RE for \$450K. Hospital is well equipped, nicely decorated and well maintained.
- **MI- **NEW**** North of Saginaw, SA gross \$315K, Px and RE only \$320K.
- **OH- **NEW** Columbus-** SA gross \$649K, Excellent location and facility.
- **OH- Medina County-** Small animal practice. Px and RE only \$450K.
- **NY-** western NY. 2010 revenue \$500K, call for details and private showing.
- **PA- Southwest,** SA w/ some equine, Gross \$800K, Nice facilities

Dr. Dave Davenport - 816.331.9449 - dave@tpsgsales.com
MT, WY, CO, ND, SD, NE, KS, OK, IA, MO, AR

- **Sedalia, MO-** SA practice w/ real estate
- **St Louis, MO-** Gross 400k annually
- **St Louis, MO-** Mobile Vet Practice well established clientele, Owner retiring
- **SE MO-** 80% SA in Free Standing Bldg, Gross over \$675,000
- **South Ozark Area, MO-** SA Practice near Military Base \$850K Gross, Totally remodeled bldg in 2009.
- **Springfield, MO-** Remodeled office. Great Demographics. Gross \$230k
- **Billings, MT-** SA Practice with excellent facility & high net revenue
- **Phillipsburg, MT-** Owner wishes to retire. Will sell practice for R/E value
- **Aurora, CO-** Strip Mall Practice with great potential.

Nate Lynch, Esq. - 800.567.1264 - nate@tpsgsales.com
CT, MA, ME, NH, RI, VT, DE, NJ, Eastern NY, Eastern PA

- **VT- Southwestern Vermont-** Gross Sales \$ 400,000, Price \$ 335,000.
- **MA- New Listing-** One Doctor Practice in Western Mass
- **MA- Home Office Practice-** Worcester County MA, very profitable
- **NH- Upper Valley-** near Dartmouth College
- **PA- Highly Profitable-** Located in Practice in Central PA
- **ME- CoastalMee-** attractive practice and area
- **ME- Exclusive Cat Only Practice-** Some owner financing is available
- **VA- New Listing in Virginia-** Pittsylvania Small Animal Practice

Dr. Richard Alker - 850.814.9962 - richard@tpsgsales.com
FL

- **Brand New Listing-** Central Florida Grossing ~\$500K. Very nice facility. Great opportunity. Great community. Call for details.
- **Central Florida-** 50 yr. old, 2 Dr. very profitable, newly remodeled, well equipped. Grossing ~\$900,000
- **Mid-way between Tampa & Orlando-** Great Opportunity for solo Dr. to own their own Prx. 2010 Gross ~\$450K. Free standing office ~3000 sq. ft. with room to expand. Call for details.
- **West Palm Bch. Area-** 2 Dr. Prx. grossing over \$1 million. Well equipped with experienced staff and very profitable. Call for details.

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- **S/E Cleveland-sub. Ohio.** Gross 900K. Vet/Econ Award Hosp.
- **New Listing-College town-West of Cleveland OH.** Grossing 1.2 M with beautiful remodeled Real Estate. Presently 1 doctor practice.
- **Virginia 20 miles to Blacksburg** Gross 575K with RE. Net 150K.
- **Illinois. 1.2 M Gross SW of Chicago** 50 miles with RE. Buy R/E and practice and net 200K after debt service.
- **New Listing Ohio.** Gross 1M in upscale SW suburb of Cleveland. Net 250K after debt service. Buy Practice & RE for 900K
- **Under Contract-Illinois** 1.2 M Gross between LaSalle & Moline . Buy R/E and practice and net 225K after debt service.
- **Ohio Southwest Cleveland area.** Practice & R/E for 500K

Dr. Len Jones - 334.727.2067 - len@tpsgsales.com
TX, NM, AZ, LA, MS, AL, GA, TN, FL

- **TX - New Listing- NW Houston** Grossing 1.1M Real Estate Available
- **MS - Central MS Practice** Grossing 750K - *SOLD
- **MS-** Gross 450K! New building, excellent equipment, great community!
- **AL- NW Alabama –** Great Community with Practice Grossing 450K!
- **TX- Houston** \$800K+. Beautiful facility, priced to sell! Great area!
- **MS- NE Mississippi -** Grossing \$500K+. Beautiful location, excellent equipment, and nice community. **Ready to sell!**
- **TN - North of Nashville,** mixed animal, Beautiful facility! Gross 600K! **** UNDER CONTRACT**