

ARTICLE NUMBER TWO

HOW TO START BECOMING AN OWNER

- 1) Now you have made the decision to Own, do you purchase or create a new practice?

OK, After lots of thinking about all the Pro's and con's of ownership you have realized you are ready to move forward and own your practice. What comes next?

First comes the decision regarding to purchase a practice that is already up and running and successful or to "start a new one".

Each of these choices have its own set of Pro's and con's and you will need to give serious consideration to both before making your decision. (However, There will be times when the decision is an easy one- for example you have worked in a practice for X years, have a great relationship with the owner and the owner has stated publically – they want you to purchase the hospital from them soon.) Unfortunately, there will also be many times when an owner has made Verbal promises about selling the hospital/practice to you and will renege due to any one of multiple reasons (ranging from – not being truthful from the beginning to realizing that there isn't enough value in the practice where they can sell it and retire as expected) Another situation that has recently occurred has been with the drop in real estate values, many practices are not worth what their owners had originally predicted (thus throwing their retirement plans into chaos)

In my personal situation, after having graduated from Veterinary school and worked for two years, I had taken a job working in a multiple hospital practice after receiving assurances from the owner that I would have the option to purchase one of the hospitals I was working at after a year of working the practice. It happens in many situations across the country, when the year had passed and I approached the owner about buying the hospital, he laughed in my face stating "Did you really think I would ever sell you a hospital;??" Why would I?

Angry about being abused, I decided that I would create my own rather than go through the process again. For me the rest is history, becoming very successful.

Making the decision to either purchase an existing veterinary facility or to start one will be either the biggest or second biggest financial decision most veterinarians will ever make (next to a home purchase). Why wouldn't you seek qualified assistance for guidance throughout this stressful time? There exists a wonderful group of Veterinary professionals(consultants) just waiting to hear from you so they can step in and help guide you through the treacherous waters of practice purchase/start up. (VetPartners (www.Vetpartners.org) (Possible sidebar on organization).

I suggest to everyone in this position to go to the web page, look through the membership lists to see who is out there to help you. It could range from someone who is a practice broker (such as Simmons and Associates for your area to a Practice management consultant who specializes in purchases)

Once your team is together, you can assemble all the information necessary to assist you in making your decision. This will range from a list of possible practices that are listed for sale, their prices, their financial information (net/gross. Average transactions, etc), location of the near by competition, equipment in the practice to staff.

- 2) For this article, let's assume you prefer to purchase an existing hospital(next article will attack start up options)
- 3) Do your research
 - a. Decide on what type of veterinary consultant you are going to hire
(Attorney, broker, PM consultant, CPA or more than one)
 - b) Vet Partners(consultant organization for assistance) talk to practice brokers regarding hospitals that might be for sale, talk with drug reps also, (they often know stuff before it happens),
 - c) Veterinary lenders may also have leads for you – usually go through your consultant to talk more with lenders.
- 4) Assemble a list of practices you wish to consider, do your research- (prices, benefits, cons, competition (current and imagined))
- 5) Narrow the field down to one or two- Have your consultant do a direct comparison

This would involve comparing all the different financial information to determine which practice would be the smarter purchase (from a financial viewpoint)-however sometimes the smarter value might not be the right one for you – when purchasing , one needs to not only consider the financial aspects, but the philosophy of the practice, the type of clients, medicine and staff that each practice embodies

1) Begin the process

- a. Put together a Letter of Intent with your consultants

Your consultant will guide you through this process, ensuring to include the numerous contingencies to protect you (such as environmental, inspection, financing, etc)

- b. Have your consultant talk to different lenders about loans

Choices here will range from local banks to specific nationwide veterinary lenders such as LOB, Matsco, B of A and recently many new smaller ones

- c. Get your financial package ready

- i. Your last three years of tax returns
- ii. Personal financial statement (maybe be different for each lender)
- iii. Short Biography of yourself
- iv. Photo Identification (drivers license)
- v. Business plan (put together with assistance of your consultant)

- d) Let the negotiations begin!

Differences with creating a practice from scratch

1) Do your research

- d. Decide on what type of veterinary consultant you are going to hire
(Attorney, broker, PM consultant, CPA or more than one)
- b) Vet Partners(consultant organization for assistance) talk to
practice brokers regarding hospitals that might be for sale, talk
with drug reps also, (they often know stuff before it happens),
- c) Veterinary lenders may also have leads for you – usually go
through your consultant to talk more with lenders.

2) LOCATION DECISION

- A) Look at competition
- B) Zoning options
- C) Review demographics
- D) check traffic flows
- E) decision on Lease hold/shell/ new construction

3) FINANCING

- a. Have your consultant talk to different lenders about loans
- b. Get your financial package ready
 - i. Your last three years of tax returns
 - ii. Personal financial statement (maybe be different for each lender)
 - iii. Short Biography of yourself
 - iv. Photo Identification (drivers license)
 - v. Business plan (put together with assistance of your consultant)

