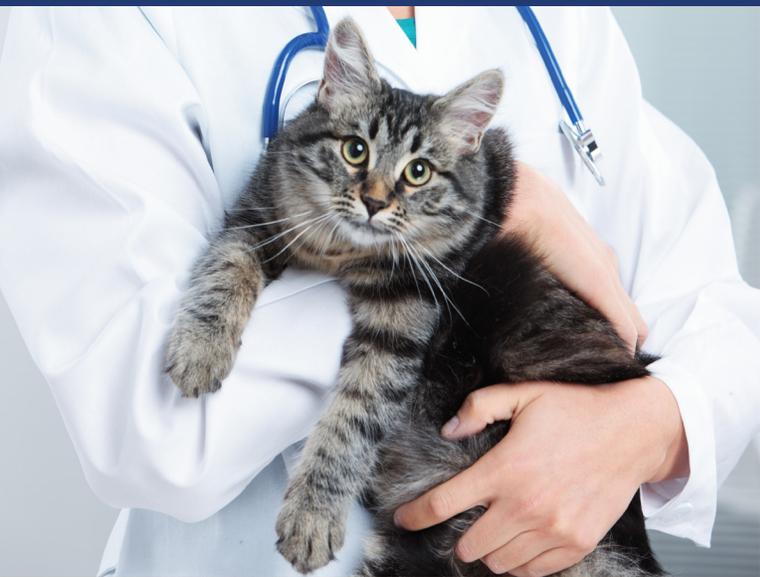




ARE YOU IN THE MARKET TO BUY A VETERINARY CLINIC?



Your Guide to a Smooth Practice Acquisition

Follow these key steps for a safe transition into the new and exciting role of an owner veterinarian.



ARE YOU IN THE MARKET TO BUY A VETERINARY CLINIC?

Your Guide to a Smooth Practice Acquisition

If you're in the market to buy a veterinary practice, you'll be inheriting the office lease agreement for the space. The office lease, often containing problematic clauses and expensive hidden risks, is one of the most important contracts you will ever sign in your career as a veterinary clinic owner.

Follow these key steps for a smooth transition into the new and exciting role of an owner veterinarian.

Potential Risks in the Lease

- > 75% of veterinarians have a lease that can prevent them from getting to the end of their career in their current location, by being forced by the landlord to relocate. Unexpected relocations can amount to \$100,000 or more in unexpected costs.
- > 85% of veterinarians have a lease containing language that can prevent them from ever selling their practice, or give their landlord the rights to up to 50% of their sale proceeds.

STEP 1: Practice Needs and Goals Assessment

Prior to completing your purchase, you'll want to plan out your short and long-term practice goals. This will help you understand what you need your veterinary clinic lease to do for you, and how it should be set up to support your goals.

- > Do you plan to bring in associates down the line?
- > Do you wish to offer clients alternative forms of veterinary care such as grooming or oral care?
- > Will you eventually want to expand to offer more exam rooms or kennel space?
- > Do you have plans to retire or sell your practice in the next 10 years or less?

54%

of veterinarians across North America are overpaying in rent for their practice.

STEP 2: Assembling the Right Team

The next step in your practice acquisition plan is gathering a team of reliable professionals to help make your vision a reality. Assemble experienced and accredited office designers, builder/contractors (if applicable), and contact your equipment suppliers and technology specialists at Henry Schein Animal Health.

(See next page for steps 3-5)



PREPARE FOR A SMOOTH PRACTICE ACQUISITION

STEP 3: Practice Financing

What is your budget for buying the practice? Arrange financing in advance and meet with your financial advisor and accountant to review and determine your ability to manage the investment. How much debt are you prepared to acquire? What type of debt are you considering (i.e. fixed loan, line of credit)? Consider interest rates, repayment terms, and flexibility when determining if the investment makes sense for you.

STEP 4: Letter of Intent or Offer to Purchase

A Letter of Intent (LOI) or an Offer to Purchase (OTP) are (ideally) non-binding agreements that outline the buying vet's interest in the veterinary clinic. They include high level terms such as the purchase price for the practice, closing dates, the role of the departing veterinarian, restrictive covenants to the seller such as non-competes, and more.

Draft, negotiate and sign the LOI or OTP for the practice. **Ensure you make the purchase of the practice conditional upon a successful transfer of the lease agreement.**

STEP 5: Review & Negotiate the Veterinary Clinic Lease

When a veterinary office or hospital changes ownership, so must the lease agreement; typically, the lease interest needs to be transferred from the existing tenant to the purchaser of the practice. Once the LOI or OTP have been finalized, it's time to review and negotiate the details in the veterinary office lease, ensuring it supports a smooth "assignment" and protects both parties, with particular attention to the buyer.

Lease agreements are drafted by landlords and their attorneys for their financial interest, containing language that lets them control the landlord/tenant relationship throughout the course of the tenancy.

Issues in the Standard Veterinary Clinic Lease

Standard form leases very commonly include clauses that may force a veterinarian to relocate unexpectedly, disallow them the ability to offer prospective clients specialty veterinary services, restrict the hours of operation of the practice, or prohibit the opening of a satellite practice; the list goes on.

Work with your professional office lease negotiator to review the details of the lease for the above noted risks and more. Together, develop a custom negotiation strategy to secure the best possible outcome with fair terms that will help you sustain a successful clinic with long-term protection and the flexibility to grow.

Scan to Watch our Webinar About Risks in Your Veterinary Clinic Lease



(See next page for steps 6-7)



REVIEW YOUR LEASE FOR EXPENSIVE RISKS

Important Leasing Considerations

- **Renovations and Improvements:** Does the lease allow you to renovate or upgrade the space without requiring permission from the landlord? Are you required to remove any improvements upon practice exit, converting it back to its original shell condition? This can easily cost a veterinarian \$100,000 + in demolition and construction costs.
- **Term and Options:** Does the lease provide you with enough term and “options to renew” for after you buy the practice? Are these terms applicable to you when you take ownership? Your lender will pay particular attention to “lease term”. With little term remaining in the lease, most lenders will not provide financing for your practice acquisition.
- **Assignment Language:** Does the lease contain language that gives the landlord the right to deny your request to assign the practice, or terminate the lease upon this request? Can your landlord collect proceeds of your practice sale or deny your request to bring in associates?
- **Protection & Security:** Does the lease provide protection for you, the new tenant, and your family or estate in the event of death or disability?

STEP 6: Closing the Transaction

Upon the successful negotiation of the veterinary office lease (or “Assumption Agreement”), have both parties execute the documents, make copies, and store them somewhere safe. Ensure you receive a fully executed copy of the contract for your records. Finalize the transaction by completing the Purchase of Sale Agreement (by waiving purchaser conditions). Lastly, ensure to track all critical dates such as the lease expiry date or option to extend deadline.

STEP 7: Next Steps

Prepare to open by finalizing budgets, confirming office design plans, completing construction (if applicable), and ordering, delivering and installing equipment and supplies. Acquire the appropriate permits, hire and train your staff, apply any last-minute touches, commence marketing, and open your doors!

About Cirrus

Cirrus Consulting Group specializes in helping veterinary professionals achieve favorable terms and rental rates in their veterinary clinic leases. We review the lease for risks and problem areas and develop a customized negotiation strategy to help our clients secure a lease that aligns with their goals and promotes practice protection, security, and success.

“Risks in the veterinary office lease are not taught to any veterinarian at any point in their career, however, they are serious enough to put any vet out of business.”

Protect your investment at this critical step in your veterinary career.

Call **1.800.459.3413** today for your complimentary consultation with a leasing expert or visit: www.cirrusconsultinggroup.com/solutions-for-veterinarians.