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Buying or Selling a Veterinary Practice

August 16, 2010 by Deirdre Wheatley-Liss



We are privileged to represent many successful veterinary practices in New Jersey. When I was little I wanted to grow up to be a veterinarian, but found I was better suited to law. One of the joys of being an attorney is that you have an opportunity to learn how other businesses operate and help them to be successful. In order for a veterinary practice to successfully grow, either by adding another veterinarian, merging with another practice, or selling as an exit strategy, there are key infrastructure items that need to be addressed. Courtesy of guest blogger Steven A. Loeb, Esq.:

The purchase or sale of a veterinarian practice requires a concerted effort by both the buyer and the seller. There are certain formalities necessary to address prior to entering into formal negotiations with any buyer or seller. In order for either the buyer's or the seller's attorney to draft a proper term sheet or initial draft of a Purchase Agreement, the following checklist of items needs to be reviewed thoroughly during the due diligence process and thereafter:

Confidentiality Agreement.

A confidentiality agreement should be entered into by and between buyer and seller so that during negotiations a free flow of information can be obtained and reviewed without the concern that information will be passed along to any other individual other than the buyer's and/or seller's accountant and attorney.

Items which will need to be incorporated into the Asset Purchase Agreement and Ancillary Documents:

* What are you purchasing?

1. Good Will;
2. Intangible Property including Intellectual Property Rights;
3. Cash;
4. Vehicles; and
5. Leased Equipment.
6. Real Estate

* What aren't you purchasing? (Items Excluded from the Sale)

1. Accounts Payable
2. Bank Accounts
3. Personal Property



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* Is the Buyer taking over any of the Seller's liabilities, such as mortgage, line of credit, prior tax payments, trade debt? Note that we generally recommend against that - the Seller's liabilities should remain the sellers

* If the Buyer is taking over some of the Seller's liabilities (sometimes that is necessary to make the deal), then what liabilities are being excluded?

Other documents and agreements that need to make up the deal:

- * Financial Statements
- * Purchase Price Information with Formulary Information
- * Physical Inventory
- * Closing Work and Capital Adjustments
- * Landlord Consent

1. If a Veterinarian Practice is purchasing the business and leasing real estate, then Landlord Consent needs to be obtained.

- * Deliveries at the Closing
- * Non-Assignable Leases and Contracts
- * Government Consents and Approvals
- * Confidentiality Information (inclusive of Employee Retention)
- * Employee Matters
- * Payments for Environmental Inspections (if not by buyer)
- * Non-Solicitation Provision
- * UCC/Judgment Search (usually obtained by Buyer's Attorney)

The above constitutes just some of the varying degrees of information that needs to be discussed and negotiated. Prior to beginning negotiations, you should speak to an attorney experienced in the sale of a veterinarian practice.

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