

## The Expensive Consequences of Failing to Create Corporate Documents For Your Practice

by: Ari G. Burd, Esq. Giordano, Halleran & Ciesla, PC.

It is imperative for every practice, big or small, to have written documents setting forth the rights, duties and obligations of the practice owners. Regrettably, having your accountant file your LLC Certificate of Formation or Articles of Incorporation when applying for your EIN, is not adequate. If you are a partnership, you should have a partnership agreement. If you are an LLC, you should have an operating agreement. If you are a PC, you should have a shareholder agreement. If you have non-owner physician employees, you should have employment agreements in place. These agreements not only establish the manner in which your practice will be run, but also address what will happen in a variety of circumstances. Failing to take the time to create these agreements is a shortcut that will leave you vulnerable to a variety of pitfalls that can potentially cost you tens, if not hundreds of thousands of dollars in the long run.

Imagine for a moment that after years of building up your practice, your practice goes through a divorce. How will the practice be split? Today, while everyone is happy, those answers seem simple and easy. But how do you think those same discussions will go years from now, when the animosity between you and your fellow practice owners has reached the point that you've decided the practice cannot continue?

What about when you or your fellow practice owners are ready to retire, die or becomes disabled? How will the value of the practice be determined? Or what happens if a physician in your practice decides to quit and open up a competing practice down the street? These are all issues that can and should be addressed within shareholder, operating, partnership and employment agreements.

You should also consider who will hear and decide serious disputes that arise between members of the practice. If you create a partnership, operating or shareholder agreement, you can agree ahead of time that all disputes will be heard by a neutral arbitrator, who can hear evidence and render an enforceable decision for the practice's eyes only. Fail to do so and your only avenue for recovery may be the courts, where your practice's dirty laundry will be aired in public for all to hear.

Giordano, Halleran & Ciesla has been assisting physicians for over forty years. Let us help you put in place agreements that will protect you and your practice from these and other avoidable pitfalls.