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The Complete Roadmap to Practice Sales

Plan Far in Advance of Your Sale Date!

If possible, I suggest giving yourself at least two years' lead time before your anticipated retirement date. You need that time to gather your team, address issues that reduce the ultimate profitability of your practice sale, negotiate and close the purchase, and permit a sufficient transition period.

1. **Professional Team.** Inform your professional advisors that specialize in Practice acquisitions that you intend to sell your practice specialize in Practice acquisitions. There may be some special planning issues to be completed ahead of time. (*Attorney, Accountant, Broker, Financial/Retirement Planner, Practice Consultant, and Insurance Agent*).
2. **Increase Your Profit on the Practice Sale.** Profit isn't just about the practice price. Increasing profitability also requires consideration of tax consequences, timing and marketability. Far in advance of the sale, you need to confirm your practice has the proper corporate structure, accounting and tax planning, practice management procedures, staffing, and lease. You also need to maintain your bank, accounting, production type, source of payment, and market tracking records so that lenders, and your Accountant and Broker, will be able to evaluate and market your practice more quickly and accurately. (*Attorney, Accountant, Broker, Financial/Retirement Planner, and Practice Consultant*).

Once your Practice is Prepared for Sale ...

3. **Pre-Qualify Your Practice for Fair Market Value Financing.** Once your practice has updated itself for top sale profitability (see 2. above), you should contact at least two recommended dental lenders to determine the maximum amount those lenders would lend to a well-qualified borrower to buy your practice.

The lender will say it is not providing a practice appraisal, only that "the anticipated post-closing cash flow of the practice to a well-qualified buyer would support lending that amount to purchase the practice." However, that loan amount effectively IS the fair market value of the practice! You could choose to back up the lender's valuation with a (relatively inexpensive) appraisal from a dental practice broker.

In many cases, the lender's valuation will not equal the amount you thought your practice is worth, or even the amount of the broker's appraisal - but getting the lender's viewpoint is a third party reality check on your own price estimate, and a reality check you may not get from the broker who wants to list your practice. Remember, too, that the price you receive on a non-brokered sale will not be reduced by a broker's commission, so you can sell your practice privately at a somewhat lower price and still come out ahead financially. (*Lender, Broker*).

4. **Review and Sign Listing Agreement with a Recommended Broker.** If you haven't already done so, review the proposed listing agreement, and sign the approved agreement with your recommended Broker. Your Broker can coordinate the engagement of all your professional advisors at the right time.
5. **Maintain Confidentiality.** Once your staff, patients and/or referral sources become aware of a potential sale, they may start looking for another dentist and tell others of your impending sale. Losing staff, patient base and/or referral sources before sale will severely harm your practice's value. As a general rule, you should not tell anyone other than your spouse and professional advisors about the proposed sale until the sale has actually closed.

Once you have identified an interested potential Buyer ...

6. **Letter of Intent.** Draft, review, negotiate and sign a Letter of Intent to sell the practice. (*Attorney, Broker*)

If the Letter of Intent is accepted ...

7. **Provide Practice Information as Requested.** Provide the buyer's lender with all the practice records required to obtain approval of a formal loan commitment from the buyer's lender. If you completed Section 3 above, this process may already have been completed, or will require only some updated information. (*Broker, Accountant*)

These records will likely include: tax returns, bank statements, cash flow, profit and loss, ratio of expense categories to typical amounts, identification of add-backs, discrepancies with general practice information received, insurance panel participation, domain/ website and online advertising, etc.

8. **Vacation/Surgery Schedule.** Do NOT schedule your vacation or surgery based on the anticipated closing date. Practice sales very rarely close as soon as originally anticipated.
9. **Provide Access for Due Diligence.** Provide access by the buyer, and its practice consultant, equipment representative, and property inspector to complete their on-site due diligence. All on-site visits should be supervised and outside normal business hours to maintain confidentiality. The items inspected on-site for due diligence will likely include:
 - A. **Premises Review.** Inspect the Premises and common areas. Confirm ADA compliance, and that all Premises systems and fixtures (electrical, plumbing, natural and dental gas, drains, cable, alarm, sprinklers) are registered (if required) and in working order. Inspect and confirm all dental and office equipment is in working order, up to date and HIPAA compliant.
 - B. **Assets & Software Review.** Inspect and confirm that all equipment, including imaging and practice management software and licensing, is in working order, up to date, and HIPAA and OSHA compliant. Confirm that fictitious business names are registered as required.

- C. **Chart Review.** A random sampling of patient records to gauge type of dentistry completed, quality of work, in-house vs. referral patterns for specialty dentistry, possible insurance fraud (chart notes don't match billing records), treatment opportunities (under-treatment or over-referral), Practice saturation (over-treatment and under-referral), and prior staff members now departed.
- D. **Financial Review.** Tax returns, bank statements, cash flow, profit and loss, ratio of expense categories to typical amounts, identification of add-backs, discrepancies with general Practice information received, etc.
- E. **Billing Review.** Billing and account receivable records: insurance panels joined by Practice, indications of insurance fraud (non-existent chart notes for billing records, up-coding of procedures, habitual waiver/ refund of patient copays or deductibles, etc.), ratio of hygiene to general dentistry to specialty dentistry treatment, ratio of HMO to PPO to FFS patients and billings, new patients per month, etc.
- F. **Insurance Panel Review.** Investigate and prepare applications (but not yet submit) for new and transferring insurance panels.
- G. **Vendor Review.** Investigation of existing credit card processing, postage meter and copier and other small office equipment purchases and leases, signage, advertising, and office and dental supply purchases and accounts.

Once the buyer has received a loan commitment and completed its due diligence ...

- 10. **Contact Landlord.** The landlord needs to know that the Practice is being sold, and the identity and contact information of the buyer and its attorney. The landlord will want the buyer to complete a tenant application and provide some level of financial statements for the landlord's review. *(Broker)*
- 11. **Draft and Sign Sale Documentation.** Draft, review, negotiate and sign a practice sale contract, lease assignment, EDD Release, escrow instructions, and related documentation, all as necessary. *(Attorney)*

When the Practice Sale Closes ...

- 12. **Terminate and Pay Staff.** Terminate all staff with their final paychecks, including payment for unused but vested benefits. Terminate retirement plan and distribute to staff via personal IRAs. *(Employment Coordinator, Benefits Administrator)*
- 13. **Insurance Policies.** Cancel your now obsolete "occurrence based" business insurance: disability, general liability, business interruption, workers compensation, auto, employment practices, umbrella, etc., all as appropriate. Maintain your "claims made" insurance or convert it to occurrence based" or "tail" insurance. Maintain malpractice insurance during any retreatment and work-back period, and then convert it to "tail" insurance. *(Insurance Agent)*

14. **Equipment/Software/Website.** Cancel all contracts and licenses for equipment maintenance, software, website hosting, online advertising, to the extent not being assumed by buyer. Transfer all contracts and licenses being assumed by buyer. (*Equipment Supplier, Software Supplier, and other Vendors*)
15. **Utilities and Vendors.** Cancel all utilities, credit card processing, postage meter and copier and other small office equipment purchases and leases, signage, advertising, and office and dental supply purchases and accounts, to the extent not being assumed by the Buyer. Transfer all contracts and licenses being assumed by buyer.
16. **Keys and Security.** Provide all keys, entry/alarm/software codes, passwords and security questions to buyer. Change your password questions and answers before providing that information to buyer.
17. **Send Transition Letter.** A letter (with a picture) to patients and referral sources announcing the sale, your (impending) retirement, and introducing the buyer.
18. **Government Notifications.** Submit notifications to governmental agencies as required (*Attorney*).
19. **Calendar Corporate Dissolution.** After your accounts receivable are collected and your work-back time is complete (*Attorney*).

Additional information (links below available at trans.dental/insight.html):

CDA Journal: [Why You Need a Dental Practice Transition Attorney](#)
Other: [Seller's Pre-Sale Checklist](#)
[Recommended Practice Brokers](#)
[Practice Sale Marketing Tips](#)
[Practice Appraisals](#)
[Embezzlement & Security Breaches](#)
[Dual Representation Brokers](#)
[Frequently Asked Questions](#)