

Buyer's Checklist for a Smooth Practice Transition

By: *Doug Copple, CVA*
Partner, Bentson Clark & Copple, LLC



The purchase and sale of an orthodontic practice is a very involved process, with numerous issues to be considered by both the buyer and the seller. Most doctors consider the significant deal points that need to be documented and negotiated, such as the employment terms before and after the transaction, the transition timeline, the practice's value and purchase price. All of these items are obviously extremely important items to consider. However, we have noticed that many buyers and sellers are unaware of the many "little things" that have to be accomplished prior to or immediately after the purchase and sale of a practice.

These often overlooked items can take a significant amount of time for both the buyer and seller to finalize during the transition process. We have seen closings delayed due to one party's neglect or oversight in not having everything in order to complete the transaction, such as licensure or insurance requirements. The purpose of this article is to outline many of these basic yet frequently overlooked tasks that should be addressed solely by a buyer to ensure a smooth transition.



Buyer's Considerations:

1. Buyers must research and consider all licensure issues prior to the closing date to ensure that they are licensed to practice dentistry and the specialty of orthodontics in that state.

2. If the buyer plans to create a corporation, he/she will need to have the corporation created in advance of the closing date and provide the exact corporate name to the attorney preparing the documents. The buyer's local attorney and CPA should assist in creating this corporation and filing all necessary paperwork with the Secretary of State, obtaining EINs, getting the appropriate approval from the state dental board, etc. The buyer can create the professional corporation without the assistance of an attorney, but, due to the minimal cost involved, it is recommended that the buyer hire an attorney to ensure this is done properly.

3. Buyers should begin communicating with lenders early in the negotiation stage to ensure they can obtain financing as requested by the seller. If the buyer cannot obtain financing, seller financing must be negotiated.

4. Buyers must ensure they have all necessary insurances in place. It is advised that buyers speak with insurance agents to ensure they are obtaining all necessary policies with adequate coverage. Examples of common insurances include:

- Malpractice insurance. Buyers will need to add the seller as an additional insured if required by the purchase agreement (related to the buyer using the seller's name for a period of time after the closing).
- General liability insurance for the business and any other insurances that are required under the office lease (since the lease will require certain insurance coverage).
- Any life or disability insurances that the lender requires to satisfy the loan requirements.

5. Create a business banking account. Buyers do not simply take over the seller's bank accounts, but must establish their own.

6. Formally hire the seller's employees and establish all payroll functions for the new company. It is generally advised to hire a third party payroll processing company to manage payroll.

7. Consider creating appropriate employee handbooks or business policy manuals soon after purchasing the practice.

8. Buyers should communicate with the company that provides the practice management system and computer/software support to the practice to see what steps are necessary for any service agreements to be placed into the buyer's name. (There may be transfer fees related to this that the buyer is generally responsible to pay.)

9. Any other service agreements or utilities that need to be switched to the buyer's name will need to be switched soon after the closing.

10. Buyers should ensure all closing contingencies and/or documents required by the lender are provided as quickly as possible.

11. Buyers should be involved as soon as possible in negotiating any real estate leases and rights of first refusals or options to purchase the real estate, particularly if the real estate is owned by someone other than the seller. The seller often is very helpful in facilitating the conversation with the landlord. To ensure confidentiality, make sure the seller is aware that you or your attorney is contacting the landlord to discuss the sale and the lease arrangements.

12. Enroll with appropriate insurance providers (Blue Cross Blue Shield, United Concordia, state Medicaid programs, etc.) and obtain insurance provider numbers and insurance claim forms.

13. Notify the appropriate dental boards and associations of change in address or other information.

This 13-point buyer's checklist is by no means exhaustive, but it identifies the most common action items. Both parties (buyers and sellers) should always consult with their personal transition advisor, attorney and accountant to ensure no additional details are overlooked. Both parties' objective should be to make the transition proceed as smoothly as possible, and this can be accomplished if both parties are aware of the numerous issues that have to be addressed when purchasing or selling an orthodontic practice. No matter how large or small the practice, the doctors have to roll up their sleeves and address all of the details involved with any practice transition.

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