



Going, Going, Gone

10 Tips to Give Yourself the Best Practice Sale

TIP #1: Prepare Years in Advance

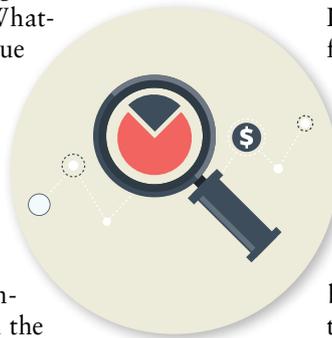
Begin planning 2 to 5 years before contemplating selling. Why? Because it can take up to 2 years to put your team members on contract. It can also take 2 or more years to set up or clean up your professional corporation in anticipation of a sale (if you're looking to pay a lot less taxes on the sale). And if you have a lease with some nasty clauses (like a demolition clause or not enough years or renewal options left), then you need to give yourself and your lawyers a lot of time to deal with it.



TIP #2: Time the Market

Most people don't know this: the best time to show a practice for sale is either in the spring or fall. Maybe it has something to do with the changing of the seasons? Spring cleaning? School starting? Back to work? Whatever the reason, it's been true for the last decade.

I colloquially call these times "March Madness" and "Octoberfest." So if you're trying to "time" the market, try to market the practice at one of those times – which means contacting a firm to assist with the



sale about 3-6 months in advance of spring or fall.

Also, if you're going to market the practice in the fall (October 2022, for example) and you're doing a share sale, you can purposefully push the closing date into the following January (e.g. January 2023) so that you won't pay any personal capital gains taxes until the year after (e.g. March 2024)!

TIP #3: Get Organized

Lease. Employment agreements. Associate contracts. Financial statements (last 3 years). Monthly production reports (last 3 years) by provider and procedure. Tax returns. Notices of assessment. Active patient count. HARP Reports. X-ray floor plans. List and details of third-party service providers. You get the idea.

You need to have these things at your fingertips. It'll help make your practice sale organized — both for the appraiser, buyer (for their due diligence) and purchase and sale agreement.



TIP #4: Be Transparent

This shouldn't have to be a tip. But, as in every industry, there are certain people who will purposefully hide things from the buyer. This could be the dentist or their representative trying to sell their practice.



Michael Carabash, BA, LLB, JD, MBA, CDPM is a founding partner of DMC LLP, Canada's largest dental-only law firm that helps dentists sell and buy practices in Ontario. Michael leads DMC's annual Caribbean dental mission trips (Grenada, Jamaica and Turks & Caicos). Michael can be reached at michael@dentistlawyers.ca or 647.680.9530.

Please appreciate that there are serious legal repercussions looming to hiding things. When you are asking a buyer to trust you and spend a lot of money to buy your practice, the last thing you want to do is have something bad “discovered” during the due diligence process or, even worse, after the closing! This will set you up for a legal claim and expose you to damages (where you pay lawyers to defend you) — when you really should be enjoying the fruits of your labour with peace of mind.

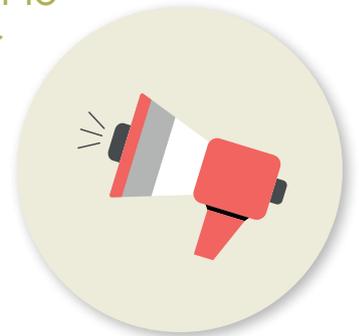


The better approach is to show everyone what you’ve got (the good, the bad and the ugly) and see how the buyer responds before they put in an offer. This way, they can’t complain about it later. Also, in every transaction, every party naturally wants to feel like they’ve “won”. So, if you can trade off your “bad” something-or-other for something else you really want (e.g. a quick transition, better associateship terms), then everyone’s a winner and feeling good and the chances of lawsuits (and paying lawyers to defend you after the closing) have dissipated.

If team members aren’t on contract, the seller can put them on contract. If the corporation isn’t financially clean, do an asset sale. If equipment is damaged or missing, fix or replace it. If the lease is in bad shape, have an honest conversation with the landlord or, in the worst case scenario, look to “induce” them financially to remove it or move out. If co-pay isn’t being collected, train the staff properly on how to say the right things to patients to make them appreciate the service they’re getting. You get the idea.

Your practice is what it is. The market will dictate how much it’s worth at any given time. But if you’re not transparent, you’re playing with fire.

Remember that people are self-interested. Sometimes we see staff asking for bonuses and raises when they’re told about a sale. And that can actually be helpful, for example, if you’re prepared to spend some money to get them to sign a contract that limits your and the buyer’s liability with respect to terminating them or having them agree not to leave and solicit patients.



TIP #5: Tell Your Staff, or Not

Should you tell your staff about your proposed sale? This depends on your personal relationship with them and how you expect them to react.

If you’re nearing the end of your career, they may be wondering what will happen to them; they may be nervously excited about the new owner. In these situations, it might make sense for you to let them know your plans so they can be part of the process (helping out with the buyer’s due diligence, perhaps). They also want continuity of their employment and that can be factored into the overall transaction.

Sometimes, it won’t make sense to tell your staff. They might jump ship. They might spread rumours to patients about how you’re selling. And given the confidential nature of the sale, you have no obligation to tell them anything.

Business is business. And you don't have friends when it comes to dollars and legal terms. You have yourself and your team of champion professionals to protect you. To educate you. To get you the best possible deal for you.



Remember that people are self-interested. Sometimes we see staff asking for bonuses and raises when they're told about a sale. And that can actually be helpful, for example, if you're prepared to spend some money to get them to sign a contract that limits your and the buyer's liability with respect to terminating them or having them agree not to leave and solicit patients. Remember: if you pay a little bit up front to put them on a properly written contract, you'll avoid a big hit on the purchase price. But, at the same time, you don't want them to hold your transaction hostage if a buyer insists that they sign something!

TIP #6: Take Control

The less control you have over the process, the more likely it can drag. Or you'll be forced to accept a lower price and worse terms. So how can you take control? First, get lawyers involved early. Why? Because we know they process and the players. Lawyers can anticipate what can go wrong before it does and deal with it ASAP.

Lawyers start gathering information and documents even before an appraiser does. They address employment, lease, and corporate issues from the get-go. They even prepare the legal paperwork for the entire transaction (for both buyer and seller) before they start to market the practice. Lawyers put the buyers in touch with the right professionals (accountants, bankers, etc.) who can help them get the deal done quickly and properly and not mess around with uninformed questions or requests. No

one can afford to have a non-dental professional learn on the job.

TIP #7: Create and Use Leverage

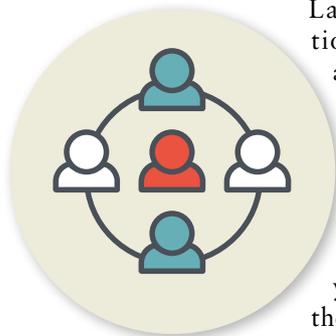
Why would you sell to a dentist or big corporate group who seem uber nice and just approached you out of the blue? Because you don't know any better! And you figure they've got your best interests at heart.

So let me burst your naïve balloon: business is business. And you don't have friends when it comes to dollars and legal terms. You have yourself and your team of champion professionals to protect you. To educate you. To get you the best possible deal for you.

And if you sabotage yourself, you will only have yourself to blame. So don't do it.

The best thing you can do is engage a professional team to assist early. To create leverage by seeing who else is out there. To get you organized. To anticipate problem areas and be up front about them. Then to market your practice so you can (hopefully get multiple) offers from serious buyers. Then use this process to your advantage to negotiate better pricing and terms for yourself.

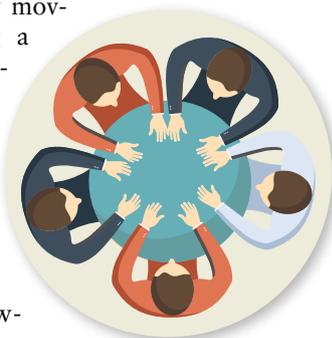
Want to take 20 weeks off per year? You got it. Want 45% remuneration? Why wouldn't you? Want to close in 1-2 months from the time you accept a conditional offer? Let's go! You dictate the terms. But you need to let us create and maintain the leverage over all players throughout the process so we're racing toward the finish line.



TIP #8: Use an All-in-One Solution

The central theme for all the tips above is that you need to use the right team to get your transaction in great shape from start to finish.

There are so many moving parts to selling a practice. An accountant and tax lawyer to review your financials and tax situation and advise you on qualifying for the lifetime capital gains exemption. An employment lawyer to help put your team members on proper contracts. A commercial leasing lawyer to help make sure your lease is solid. A corporate lawyer to make sure your corporation was set up properly so you can sell shares and trigger the lifetime capital gains exemption. Someone who can work with your appraiser to get an appraisal done properly, comprehensively and quickly. Someone who can market your dental practice to thousands of dentists confidentially to bring you the best offers. And a commercial lawyer to actually do the purchase and sale agreements, associate agreement, and closing.



TIP #9: Save \$\$\$

When I came into this industry, I noticed something very peculiar. Real estate salespeople were selling dental practices and charging a whopping 10 percent commission to the seller only. For that, they'd prepare an appraisal, run an open house, and negotiate a non-binding offer with the buyer. And then they would "monitor" the rest of the transaction and collect their big fees at the end. But it was the lawyers who ended up picking up and finishing off the transaction for the seller.



It was, and unfortunately still is, mind boggling to think that a selling dentist thinks the services being offered are worth 10 percent of their retirement.

Seek out dental professionals who can add a lot of value and do everything you require. And negotiate fixed fees (regardless of the purchase price), not a commission or a percentage

TIP #10: Stop Worrying

In all likelihood, this is your first time selling. It could be your last. You'll probably just do it once. This experience could be an emotional rollercoaster for you.

Search out the experts and professionals who can walk you through every step of your sale and calm your nerves when necessary. A little hand-holding might be exactly what you need to put your mind at ease. ✨

