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## **10 IMPORTANT STEPS WHEN SELLING OR BUYING A DENTAL PRACTICE**

### **Sellers**

#### **1. Identify a price range for your practice and marketing the practice**

- Have you obtained a valuation of the dental practice from an experienced professional? The value can be based on hard assets, goodwill and sometimes accounts receivable. If the office property is to be sold as well, a real estate appraisal will also be needed.
- Where are the potential buyers? Consider: current associates; professionals in transition and multi-site dental operations. Dental practice brokers and transaction consultants can assist in locating potential buyers.

#### **2. Stock or Asset Transaction and Tax Aspects**

- Will you structure the sale of the practice as a stock sale or asset purchase? It is important to consult with financial and legal advisors before making this decision to ensure that the transaction will be beneficial from a tax standpoint and liability risk is properly allocated.

#### **3. Negotiations and first phase of practice acquisition**

- After initial negotiations the parties may want to set out the basic terms in writing if they reach a basic accord for the transaction. This can be a binding or non-binding proposed transaction summary (often referred to an offer letter or letter of intent) between buyer and seller which sets out the essential terms of the deal, including the purchase price and its allocation, a list of the hard and intangible assets, a transition plan, the use of the dental practice name and website, and terms for the seller's continued professional services after the sale.

#### **4. Purchase and Sale Agreement and other transaction documents**

- The Purchase and Sale Agreement or P&S is the binding agreement between buyer and seller setting out all of the details of the sale. The P&S should cover all aspects of the transaction: how the purchase price is to be allocated, if it is an asset or stock purchase, what happens to names and phone numbers, the conditions of closing, including financing, and lease assumptions, post-closing covenants, such as employment and non-compete of the seller, patient letters and practice management.

#### **5. Real Estate**

- Do you lease or own the office and its building? Will you sell or lease if you own? If you lease, the assignment of the lease needs to be a condition. Will the landlord release you after an assignment?

### **Buyers**

## 1. Negotiations and first phase of practice acquisition

- After initial negotiations the parties may want to set out the basic terms if they reach a basic accord for the transaction. This can be a binding or non-binding short letter agreement between buyer and seller which sets out the essential terms of the deal, including the purchase price and its allocation, a list of the hard and intangible assets, a transition plan, the use of the dental practice name and website, and terms for the seller's continued professional services after the sale, as well as the seller's restrictive covenants.

## 2. Secure financing

- Work with experienced dental lenders to find the best rates or negotiate a seller financed transaction.

## 3. Purchase and Sale Agreement and other transaction documents

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## 4. Patient Letters and Transitioning the Practice

- A patient letter should go out to introduce the buyer to the patients of the practice. This letter should come from the seller, which will create goodwill for the buyer with the patients and increase the likelihood that patient will continue to seek services from the dental practice.
- A buyer will want the seller to assist in effectively transitioning the practice. This often can be accomplished through a contract for the seller to remain as a part-time employee or as a consultant for some period of time. Other considerations include preparing the office staff for the new ownership, addressing IT system/computer software and marketing as part of the transition.

## 5. Real Estate

- Does the seller own the office and/or building? Will the seller sell it to you or grant you an option? If the office is leased, then the lease terms being acceptable to you and your lender must be a condition. Do you need to negotiate an extension?

*For assistance with practice transitions, please contact 617-720-2444, or William Mandell, Esq. at [bill@piercemandell.com](mailto:bill@piercemandell.com), Hannah Schindler Spinelli, Esq. at [hannah@piercemandell.com](mailto:hannah@piercemandell.com), Michael C. Fee, Esq. at [mfee@piercemandell.com](mailto:mfee@piercemandell.com) Samuel Hoff, Esq. at [shoff@piercemandell.com](mailto:shoff@piercemandell.com), or Julie Niejadlik, Esq. at [julie@piercemandell.com](mailto:julie@piercemandell.com).*

*The above practice points should be considered by dental professionals when buying or selling a dental practice. This list does not constitute legal advice and is not conclusive. We recommend that dental practices and professionals obtain assistance from professionals (attorneys and CPAs) to ensure that agreements are complete and serve to adequately protect your interests.*