



THINKING OF RETIRING/SELLING YOUR PRACTICE IN THE NEXT 10 YEARS OR LESS?

Learn how your **office lease agreement** can make or break the sale of your practice, or, if written properly, can facilitate the sale while maximizing the value of your practice.





HOW THE OFFICE LEASE IMPACTS THE SALE OF YOUR DENTAL PRACTICE

Don't wait until you're in your 40s, 50s or 60s to start thinking about retirement.

Most dental professionals understand that the value of a general practice is a function of goodwill, the value of your equipment, and the desirability of your office and location. Unfortunately, most dentists overlook one of the most critical variables that factor into the sale of the practice: **the office lease agreement.**

WHY THE DENTAL OFFICE LEASE AGREEMENT IS CRITICAL TO THE SALE OF YOUR PRACTICE

The value of a dental practice is largely predicated on the desirability of the location and the terms of the office lease agreement. Many dental practices are devalued as a result of less-than-favorable lease terms, or, problematic "assignment" sections that enable landlords to unreasonably involve themselves in the sale and/or acquisition of the practice. It's essential that the terms of your lease agreement are properly structured well in advance of the sale of your practice to ensure a smooth, stress-free, and profitable exit from dentistry. **The following are a few important aspects of your lease.**

"Assignment" Language and its Impact on Your Practice Sale

The "**assignment**" clause is the provision within your lease agreement that dictates your ability to transfer your lease in the interest of selling your practice. When selling your practice, you will be required to request consent from your landlord to allow for the transfer of your lease to a prospective buyer. **Many dentists are horrified to learn that the assignment clause permits the landlord to arbitrarily grant or withhold consent to assign the lease, or it enables them to terminate the lease altogether.**

85%

of dentists have a lease that can prevent them from ever selling their practice.



> WHY WOULD THE LANDLORD WANT TO TERMINATE YOUR LEASE? <

Increased Rental Rates

There are many reasons why your landlord may choose to terminate your lease; however, in most cases they will utilize their termination right as leverage to increase the rental rates for a new or prospective buyer/tenant.

Profit Share

In other cases, landlords will leverage their termination rights to request a portion or percentage of the proceeds from the sale of your practice.

This unscrupulous behavior has resulted in many dentists having to share thousands of dollars with their landlord, all as a consequence of an improperly structured, landlord-favored assignment clause in their lease.

80%
of landlords structure the lease to give them a **right to at least 50% of the proceeds when a practice is sold.**

> LEASE TERMS TO BE CAREFUL OF WHEN TRANSITION PLANNING <

Surrender of Premises: Restoring the Space Back to its Original Shell Condition

“Surrender of Premises” language in the lease often requires a dentist to return the space back to its original vanilla shell upon vacating the premises, commonly **involving demolition, construction, and other costly, unplanned expenses.** This makes for a less than desirable retirement savings plan. “Restoration/surrender” clauses can also depreciate practice value and act as a deterrent to potential purchasers of your business.

Death and Disability: Protection Against Unforeseen Circumstances

In the case of death or serious illness, your lease agreement should provide protection for your family/estate. Without a “death and disability” clause, your estate will be obligated to assume the responsibilities, costs and liabilities under your lease in the event of unexpected death or disability.

In the absence of a death and disability clause, your landlord can pursue actions against you or your family/estate for all remaining debt and obligations under the terms of your lease. Having a death and disability clause protects your family/estate while maximizing the value and attractiveness of your practice for future sale.

Personal Guarantees in the Lease

Your lease may list your incorporated entity or you, personally, as the lessee. If not set up properly at the onset, personal guarantees can leave you personally exposed and responsible for obligations under the lease, even after you have transferred/assigned it to a new tenant. If the new tenant defaults, the landlord can pursue actions against you personally. To ensure you’re protected, it’s essential that the guarantees and liabilities under your lease are removed or limited in advance of the sale of your practice.



PLAN FOR THE SALE OF YOUR PRACTICE IN ADVANCE

AVOIDING COSTLY MISTAKES

Having spent over 27 years working with dentists, we have seen too many cases where dentists are taken advantage of as a result of an improperly structured lease agreement. As in any profession, it is always best to over prepare. If you're considering retirement or the sale of your practice within the next 10 years, it's essential that you have your lease thoroughly reviewed to ensure it aligns with your transition plans.

ABOUT CIRRUS CONSULTING GROUP

Founded in 1994 by dentists for dentists, Cirrus Consulting Group is a firm devoted to office lease review and negotiation services for dentists. We aim to achieve fair and affordable leasing terms for doctors, ensuring the lease is set up to provide long-term protection and security, with the ability to eventually sell and transition out of dentistry profitably and safely.

Don't wait until you're approaching the later stages of your career to start planning for retirement.

Video: Tips for Planning for Your Practice Transition:
<http://bit.ly/2kAH7oO>

Planning to transition and have questions about your lease?
Call 1.800.459.3413 today for your complimentary consultation with a leasing expert or visit www.cirrusconsultinggroup.com/lease.