

KUTNER LAW LLP'S TIPS FOR DUE DILIGENCE:

- In addition to having your accountant review the financial statements of the practice, I strongly recommend that the purchasing Dentist visit the practice in-person to conduct a thorough chart analysis and patient count.
- It is often helpful to review the average age of the Practice's patient population to gauge long-term growth of the practice. Ensure that you evaluate the average amounts billed per chart for the types of services provided; the lower the average the better the opportunity of increasing the billings. A random review of patient billings may also reveal any strange patterns of use of billing codes by the previous dentist or his/her associates.
- Review the Schedule of equipment and assets and ensure everything is at the Practice and in good condition.
- When obtaining financing, be aware that most banks require that the term of the lease for the practice (with any renewals) to be no less than the amortization period (usually 10-12 years).
- Ensure that the lease has been reviewed by a lawyer to avoid surprise clauses that may cause issues. Demolition or redevelopment clauses in a lease can cause issues with obtaining financing.
- Landlords are notoriously slow in giving approval to an assignment and therefore we apply as soon as possible to obtain such approval, but be aware that some landlords may charge exorbitant administrative or legal fees to approve the assignment and give consent—in most cases we put most of the burden on the seller.
- Ensure the practice has a proper record of pre-paid patient deposits being held (and not spent!), and that all deposits are transferred over to the purchasing dentist following the closing, to be held and applied to the patient's account once services have been rendered.
- The purchasing dentist should be asking the seller for the last three (3) years of the *Healing Arts Radiation Protection Act* reports, an approved radiation shielding plan, radiation shielding test results, and the proper x-ray equipment registration and proof of staff qualifications.
- It is extremely important that you ensure that your practice is in compliance with all applicable regulations and laws, including those set out by the Royal College of Dental Surgeons (RCDSO) and the Provincial Infectious Diseases Advisory Committee (refer to the RCDSO checklist). This is particularly important when reviewing the practice's compliance with the COVID-19 guidance issued by the RCDSO.
- Ensure that you review the history of associates that have left the practice and review old associate agreements of departed associates to ensure that the associates cannot steal patients. A principal dentist is playing with fire if he or she retains an associate without having the associate sign a strong, binding associate agreement that protects the principal's goodwill.
- When selling/purchasing shares of a Dentistry Professional Corporation, your lawyer will need to review the minute books of the involved corporations to ensure that they are up-to-date and organized in preparation of the transaction.
- Be aware of any security interests, liens or other encumbrances registered against or affecting the practice, its assets, or the corporation itself.