



ADS Florida Insider

EXPERIENCE, INFORMATION AND CONSULTANTS YOU CAN TRUST

IN THIS ISSUE

SEPT-OCT 2009

Practice Transitions Made Perfect™

ADSflorida.com

Professional Practices

ADS

Our company has been transitioning dental practices for almost forty years. We've seen brokers come and go, some who were extremely good at valuations and transitions, others who were not. We've evolved, as you have, with changes in the business of dentistry and have helped develop what are considered to be the "best practices" in transitions, as have many of you in dentistry.

a specific purchaser is looking for your practice takes much more information than your address. The broker will request you sign an agreement for services, essentially, if not actually, a listing agreement, prior to discussing the purchaser – sometimes stating that that purchaser is no longer looking or interested, leaving you with an executed agreement and no purchaser.

Unfortunately, some current broker practices are far from "best", and are actually deceptive or even illegal. We'd like to outline a few of these and affirm our commitment to you with respect to them.

ADS Florida has avoided mass mailing letters for purchasers. In the future, we are committed to sending letters that specify the characteristics of particular interest to that purchaser. Further, the letter will be targeted, mailed once and your reply will not constitute a listing agreement or approval for us to advertise your practice for sale.

Dual Representation: the practice of representing both parties in a transaction. This practice is illegal in the state of Florida. ADS Florida does not engage in dual representation.

"Free Appraisal": commonly advertised, nationwide, by several organizations. Often we have found that the requesting doctor receives a poorly developed document with, usually, an inaccurate value, and sometimes, without the owner's consent, has their practice advertised for sale. In some cases, pictures of the subject office have been posted online for anybody visiting the website to see, violating any seller confidentiality.

Kickbacks: the practice of paying money for a referral – commonly by a lending institution building an extra fee into their rate to a purchaser. If there is an extra cost that otherwise would not be charged, and it goes undisclosed, the practice is illegal in Florida. Kickbacks can also be offered for "leads" to sales. ADS Florida does not accept or pay kickbacks.

An appraisal is a serious document that contains evidence of the methods used to determine a final value. There are several national and international organizations that establish standards for business valuation and appraisals and we take pride that these principles are incorporated into our appraisal methodology and documentation. We do not list practices based on an appraisal, only with a fully documented, executed listing agreement. Even with this, no pictures are posted for public viewing and the identity of any of our sellers is held with the strictest of confidence.

Transactional Broker: this relationship, as established by the State of Florida, where the broker does not represent either party in a transaction. With no representation, or "agency", the broker's responsibility to you is minimal during and after the sale. All ADS Florida listings establish specific agency, representation and responsibility.

We are very proud of the transition record of ADS Florida, LLC (formerly Professional Transitions, Inc.) and our team. Our local representatives are amongst the most experienced and highly trained experts, nationwide. No other brokerage firm in Florida has those credentials. Most importantly, each member of our team operates with the highest possible ethical standards and practices. By working with ADS Florida, you're working with the best in our industry.

As an Agent, we are responsible to work in the best interest of the party we represent. If we represent a seller, our Agency relationship does not preclude us from assisting the purchaser in the sale and transition process. There are specific lines that cannot be crossed which would violate the relationship, but assisting with the highest level of service is not precluded and is our standard.

If you have questions about anything above or others that you may have come across, please do not hesitate to contact us. Also, if you'd like to see how we compare to other transition firms in Florida, please visit compare.adsflorida.com.

"Pending Listing": also seen as "Coming Soon" or "Available Soon". There is no commonly accepted advertising that includes a "listing" of this nature. Either a broker has a listing, or other similar agreement to advertise a business for sale, or they do not. If they do not, that business should not be advertised and could potentially be meant as "bait and switch" or otherwise deceptive advertising. Every ADS Florida listing has the full cooperation of the owner doctor.

Solicitation Letters: commonly stating, in some way, "we have a buyer for your practice." The reality, though, is that each purchaser is different and looking for something specific – whether practice type, makeup, location or other. While there are many purchasers looking, to know



Professional Practices



Gotcha!
The IRS Nabs Another



Practice Purchase
Opportunities

ADS Florida
Congratulates

Melvyn Nathanson, DDS
to
Aaron Sheinfeld, DDS, DMD
Boca Raton, FL

HOT TOPICS

The Cost of Discounted Dentistry

Lee County Dental Society

November 19

Preventing Partnership Peril

Collier County Dental Association

September 17

Hy Smith, MBA

Greg Auerbach, MBA

Stuart M. Auerbach, DDS

Paul Rang, DMD, JD



Gotcha! The IRS Nabs Another.

In an article this year, we brought to your attention the increasing interest that IRS is paying to professional associations and corporations. The knowledge that these closely held businesses have been used to reduce personal income tax liability is well known.

In August 2009, a West Virginia dentist, Dr. Alan K. Vance, was sentenced to a year in federal prison, three years supervised release and a fine of \$40,000. So, what is this all about and what might it mean to you?

On March 19, 2009, Dr. Vance entered into a guilty plea to one-count of tax evasion. Dr. Vance is 53 years of age. He is the youngest of 4 children born in Logan County West Virginia where his father was a coal miner for 33 years.

He was a full-time clinical professor at the West Virginia University School of Dentistry for one year and the first Black professor in the history of the dental school. He opened private dental practices in Charleston and Williamson, West Virginia and even owned a dry cleaning business until 2008.

For over 26 years, Dr. Vance travelled between his two dental offices treating 80 – 85 patients. He served as a mentor for local students, volunteered for the less fortunate and underserved in his community where he was well regarded and well respected.

Dr. Vance though, as part of his plea agreement with the government, stipulated that he did willfully attempt to evade and defeat a large part of the income tax due and owed by him to the United States of America for the calendar years of 2001-2003, in the amount of \$190,667. Dr. Vance failed to account for and report to the IRS large amounts of cash generated by his dental practices and dry cleaning business.

How did this come about? His statements include that he altered his business bank deposit slips after they had been prepared by his dental office staff by marking out the cash deposit entries. He failed to advise his tax return preparer of the cash that was generated from his dental practice. He also deposited \$23,002 in checks he received for working for another dentist into his personal bank account and failed to tell his tax preparer about that income.

Additionally, Dr. Vance paid a contractor in cash to install a swimming pool at his residence. He falsely advised federal law enforcement officials that he deposited all of the income from his businesses including cash receipts. In addition to the 2001-2003 deficiencies, Dr. Vance also failed to pay

\$51,504 for tax year 2000. He agreed that the total amount of tax loss for the relevant years totaled \$242,171.

Is Dr. Vance the rule or the exception? As we began discussing in a newsletter article late last year ("The IRS is Watching YOU"), each practice should consider how it accounts for its expenses and income. In relating to this case, showing no cash deposited for an entire year is probably going to raise some questions if the IRS ever decides to audit your practice. While there might not be large amounts of cash, a practice depositing zero cash for any year is very unlikely.

Another area of concern should be the overuse of office expenses to hide personal income. Many times when reviewing practice expense statements, some categories are simply overstated. While this might seem to be a viable tax avoidance method, overuse can be a trigger for further investigation; and YES the IRS does have a reasonable idea as to what the normal expenses of a dental office are!

When it comes time to consider the sale of your practice, overstated expenses that require in depth explanations to reconcile cause banks and prospective purchasers to look more closely at all of your accounting. Many times buyer accountants will request and review your general ledgers. With banks scrutinizing practice transactions more than ever, the more work that needs to be done to "clean" an expense statement, the less likely you are to achieve the highest price for your practice, or even get bank financing, even with a highly qualified, transition expert, assisting you. In some cases, banks have refused to finance practices where there is apparent fraudulent accounting and activity.

While we all believe that everyone does it, it may be time to recognize that there is a real risk in being caught. In this example, and most likely in the future, all of the community standing that you have accumulated over your practice career may not provide a useful excuse when defending yourself against the IRS. Dr. Vance certainly found out the hard way as the court refused his plea to vacate his prison sentence while he performed community service and dental treatment.

The Special Agent in Charge, IRS-Criminal Investigation, Pittsburgh Field Office said "Today's sentencing is another reminder how serious the consequences can be when someone commits tax fraud," and "Those Americans who file accurate, honest and timely returns can be assured that the government will hold accountable, those who don't."

Practice Transitions Made Perfect

General and Specialty Practice Purchase Opportunities

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

| | | Gross | Buyer Net |
|-------------|-------------------------------------------|----------------|-----------|
| Gainesville | 4 ops FFS/PPO Pano \$1.1M | | \$316K |
| Levy County | 7 ops 3 days/wk | \$362K | \$145K |
| Mt. Dora | 4+1 ops FFS/PPO Pano | \$615K | \$182K |
| Ocala | 4+2 ops FFS Pano | UNDER CONTRACT | |
| Orlando | 6+2 ops FFS/PPO/HMO Pano dig. xray RE | \$914K | \$266K |
| Orlando | 6+1 ops FFS/PPO dig. xray, Pano 3 days/wk | UNDER CONTRACT | |
| Orlando | 3+1 ops FFS/PPO | \$537K | \$133K |
| Orlando | 6 ops FFS/PPO Digital x-ray Digital Pano | UNDER CONTRACT | |
| Orlando | 3+2 ops FFS | UNDER CONTRACT | |
| Orlando | 4 ops FFS/PPO digital x-ray, Pano, Cerec | UNDER CONTRACT | |
| Vero Beach | 3 ops Equipped Condo | Ask \$375K | |

Specialty Practices

| | | | |
|-------------|------------------------------------|--------|--------|
| Space Coast | Perio - 4 ops FFS Pano 3 days/wk | \$443K | \$139K |
| Orlando | Orthodontics 1 day/wk RE available | \$300K | \$77K |
| Orlando | Prosthodontics 2 ops FFS Pano | \$595K | \$314K |

Associate Positions

General Bartow - Lake Wales

SOUTHWEST FLORIDA

Contact: Greg Auerbach, MBA or Hy Smith, MBA

| | | Gross | Buyer Net |
|------------|--------------------------------------|--------|-----------|
| Fort Myers | 4 ops FFS 2000 SF Real Estate Avail. | \$700K | \$165K |
| Fort Myers | 5 ops FFS - 2500 SF Digital x-ray | | SOLD |

NORTH FLORIDA

Contact: Paul Rang, DMD, JD

| | | Gross | Buyer Net |
|-------------------|-------------------------------------------|--------|-----------|
| Fort Walton Beach | 4 ops FFS pano 2 days/week RE Available | \$220K | |
| Lake City Area | 5 ops FFS pano 3 days/week RE Available | \$348K | \$107K |
| Pensacola | 6 ops FFS 3 days/wk Real Estate Available | \$374K | \$104K |

Specialty Practices

| | | | |
|------------------|------------------------------------------|----------------|--------|
| North Gulf Coast | Oral Surgery 6 ops Real Estate available | \$1.2M | \$541K |
| NE Florida | Pedo 6 ops Real Estate Available | UNDER CONTRACT | |

WEST FLORIDA

Contact: Greg Auerbach, MBA or Paul Rang, DMD, JD

| | | Gross | Buyer Net |
|--------|------------------------------------|--------|-----------|
| Venice | 4+1 ops FFS/PPO Real Estate Avail. | \$400K | |
| Venice | 3 ops FFS/PPO Long Established | \$632K | \$154K |
| Venice | 4 ops FFS/PPO 25 NP/Month | \$600K | \$145K |
| Venice | 5 ops FFS/PPO 30 NP/Month | \$700K | \$191K |

SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

| | | Gross | Buyer Net |
|---------------|-------------------------------------|--------|-----------|
| Boca Raton | 4 ops FFS | | SOLD |
| Coral Springs | 6 ops FFS/PPO digital x-ray and pan | \$1.1M | \$259K |
| Lauderhill | 4+1 ops FFS/PPO | \$450K | \$115K |
| Miami | 7 ops PPO/FFS/HMO | \$575K | \$175K |
| Miami | 5+1 ops FFS/PPO Shopping Center | \$740K | \$180K |
| N. Miami | 5+1 ops FFS/PPO | | Ask \$97K |

Specialty Practices

Indian River County Perio 5 ops new equipment w/Condo
 Palm Beach County Pedo 3 ops Bay 2 ops Pvt. FFS/PPO *ALL NEW* Ask \$360K

Practice Ready Facilities

Lake Worth 3400 sf building with 4+1 ops dental office FOR SALE OR LEASE
 Vero Beach 3 ops Condo w/equipment Ask \$375K

Associate Positions

General Miramar, Tamarac, Miami



For the most recently updated listings visit ADSflorida.com

We currently have buyers looking for the following opportunities:

GENERAL DENTISTRY

Broward, Collier, Dade, Hillsborough, Lee, Manatee, Orange, Pinellas, Sarasota

PEDIATRIC

Broward, Dade, Palm Beach

ORTHODONTIST

Broward, Dade

PERIODONTIST

Broward, Palm Beach



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CHECK THE SIGNS

Don't rely on a Magic 8 Ball. Visit economy.adsflorida.com to monitor signs of economic recovery. Look to us to stay apprised of real strategies to protect, build and grow your practice.

