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THE ADVISOR

Sound Advice • Information to Trust • Experts to Rely Upon

IN THIS ISSUE:

How Much Does It Cost..... 1

Beware of the Out-of-State Expert ... 2

Updated Listings .. 3

COMING SOON:

Why Did My Patients Leave?

Legal Corner: Malpractice

RECENT TRANSITIONS:

Dr. Norman Zarr to Dr. Lawrence Lesperance
Miami

Dr. Dick Chapman to Dr. Jeff May
New Port Richey

Dr. Cynthia Harper to Dr. Gerald Copeland
Tampa



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HOW MUCH DOES IT COST per month?

Have you ever gone to purchase a car and asked the question: How much will the car cost? The salesman doesn't give you the price of the car anymore. You will be told that there are financing terms that will allow your monthly payments to fit into your budget. No matter how many times you ask, the total cost of the car is not relevant!

The salesman knows that confronting you with the total cost of the car is usually beyond the ability of most purchasers today, but if he can reduce that cost to a manageable monthly figure, you will drive out in that new car.

All practice finance companies look to the cashflow of the existing practice to repay the acquisition loan. The industry standard is that the practice for moderately priced practices is a 5 to 7 year financing

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term. Some may finance for up to 10 years to accommodate the buyer, but still want the analysis to be able to pay back the loan over no more than 7 years. If the cashflow does not support those requisites, the practice either was priced too high, or was the wrong one for the doctor.

We have recently seen that some dental practice

acquisition lenders must have learned something from the car salesmen. If the cashflow of the practice will not support the needs of the doctor, they simply extend the payments for up to 15 years! Well that sounds like it should work, doesn't it? If you can reduce your monthly payments enough, you can certainly afford to buy the practice. In looking at the numbers, consider the following table

Principal Amount	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
Interest	8.5%	8.5%	8.5%
Term	7yr (84mo)	10yr (120mo)	15yr (180mo)
Monthly Payment	\$ 7,918.24	\$ 6,199.28	\$ 4,923.70
Total Interest Paid	\$ 165,132.16	\$ 243,913.60	\$ 386,266.00
Total Cost	\$ 665,132.16	\$ 743,913.60	\$ 886,266.00
Cost Differential		\$ (78,781.44)	\$ (221,133.84)

By extending your loan from 7 years to 15 years, your monthly payment is reduced by \$3,000 and you will pay an additional \$221,133.84 or a total of \$386,266.00 in interest for a \$500,000.00 loan! So, while you can afford the monthly payments, you have spent additional money for the original purchase that could have gone into your retirement account.

We suggest that when the buyer is forced to finance a purchase over 10 to 15 years just to make the cashflow work, the purchase price is unrealistic for that buyer. You should insist that a realistic cashflow analysis of the existing practice produce enough income for your lifestyle needs. A practice that does not have a realistic cashflow is either overpriced or too small for your needs.

BEWARE of the out-of-state expert

We have recently been informed that some of our Florida dentists have discussed their practice transition with an out-of-state consultant, in particular an Arizona consultant, Sam Reader. The consultant states that he is selling businesses and not selling real estate, and therefore does not have the responsibility to obtain a Florida real estate license when appraising and brokering the sale of a dental practice. He charges \$950 to value a practice and then sends back a report on his findings. So with his evaluation, what are you to do next? Is there actually value in his services? Is he going to be your best representative in transitioning your practice?

In Florida, the sale of businesses and real estate is governed by the Florida Real Estate Commission (FREC). To be compensated on a commission basis, the consultant or broker must have a valid real estate license in Florida. Why is this important? Well consider the dentist practicing out of his or her garage in your area. Does that hurt your practice? Probably not. However, your license to practice dentistry comes with a myriad of responsibilities. The illegally practicing dentist can very possibly do

a clinically acceptable service for his or her patient. Since they don't have the burden of continuing education, staff salaries, license fees, insurance, and state oversight, they can probably offer their services at a highly reduced fee. If it's that easy, why do any of us need licenses?

It is our experience that the decision to sell your practice has very definitive ramifications to your future.

Of course, having a license to practice any profession does not imply equality of expertise. There are real differences in how well each of us does our job.

For practice valuation and transition planning, just as in real estate, the local market drives the value of real estate and your business. The price that buyers are willing to pay for practices very much depends on location. Even though Professional Transitions, Inc. is a licensed real estate brokerage firm, and we regularly evaluate real estate and value practices in Florida, we really

don't know the specific local market in some other state. How would a broker/consultant in another state, who does not regularly represent practices in Florida, never visits your practice, never actually meets you as a seller, or never actually meets a prospective purchaser, have any idea what the local market is in Florida and what is in your best interest so to list and sell your practice?

It is our experience that the decision to sell your practice has very definitive ramifications to your future. Being available to assist you and your purchaser during and after the sale should be strong considerations in your choice of representation. Identifying a prospective buyer and qualifying that buyer for your practice is only the beginning of the transition process. Professional Transitions, Inc. has been committed to serving the professional in transition for over 35 years. We have strategically located offices in Florida to personally assist you in your professional transition.

*Need help in selling your practice?
Contact us at info@professionaltransitions.com
or (800) 262-4119*

Professionals at a Crossroad *by Douglas Friend*



How do I protect the largest amount of my earnings from taxes?
What type of retirement plans are available for a practice my size? What costs are involved?
What do I do with my retirement funds after the practice is sold?

An investment professional can personally assist you and your employees over the long term. You might want to consider not just using the services of any investment professional, but one who is affiliated with one of the fastest growing, privately owned, investment companies in the country - Sterling Financial Investment Group. We provide research, institutional brokerage, retirement plans, personal wealth management and investment banking services. The company is, today, a global financial services organization with more than 50 offices in seven countries.

For a personal conversation or meeting about your needs please call Douglas Friend at 561.394.4844 or toll-free 866.384.3048 or email dfriend@mysterling.com.



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UNLOCK YOUR FUTURE

general and specialty practice purchase opportunities

SOUTHEAST FLORIDA

Contact: Stuart M. Auerbach, DDS

		Gross	Net
Hallandale	GP/Pros 5 ops 3 days/week	PENDING	
Miami (North)	5+ ops FFS 3400 SF Bldg		\$678K
Parkland	2+3ops NEW OFFICE 1 day/week	PENDING	
Pembroke Pines	3 ops PPO/HMO	SOLD	
Stuart	3 ops FFS with Spacious Ops	SOLD	
West Sunrise	5+1 ops FFS/HMO/PPO	\$1.0M	\$330K
West Palm Beach	6 ops PPO/FFS/HMO	\$454K	\$173K
Ft. Lauderdale	2+1 ops	PENDING	

SPECIALTY PRACTICES

Pembroke Pines	Office to share new facility		
Plantation	Oral Surgery for Associate/Buy-In		
Aventura	Surgical Facility		\$480K

SOUTHWEST FLORIDA

Contact: Hy Smith, MBA
Greg Auerbach, MBA

		Gross	Net
Ft. Myers	7 ops FFS – _ Days Only	\$360K	\$098K
Ft. Myers	3 ops FFS/PPO/HMO—Days Only	\$180K	\$048K
Ft. Myers	3+1 ops FFS 2 days/week	\$470K	\$135K
Ft. Myers	5 ops Equipped Facility Only		\$075K
Ft. Myers	4 ops Proths 3 days/week	\$350K	
Naples	3+1 ops FFS 2 days/week	\$650K	
Naples Area	3 ops FFS	\$250K	\$067K
Venice	Associate		

SPECIALTY PRACTICES

Naples	Oral Surgery	\$450K	
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NORTH FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Net
Ponte Vedra/Jax	6 ops FFS/PPO Pano.	PENDING	
Tallahassee	3+1 ops FFS/PPO RE Avail	\$450K	\$200K
Wewahitchka	3 ops FFS/PPO RE Avail	\$250K	\$095K

SPECIALTY PRACTICES

BROWARD COUNTY	Oral Surgery		
NAPLES		\$450K	\$300K
ORLANDO AREA	Ortho		\$577K
TAMPA	Prosth	\$225K	\$150K
TREASURE COAST	Prosth	\$635K	\$495K

WEST COAST

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

		Gross	Net
Avon Park	4+2 ops FFS RE Avail	\$561K	\$160K
Bradenton	5 ops FFS RE Avail	PENDING	
Brandon	3 ops FFS Pano. Digital X-Ray	\$342K	\$110K
New Pt. Richey	4+2 ops FFS Pano. RE Avail.	SOLD	
Sarasota	3 ops FFS/PPO	PENDING	
Sarasota	2+2 ops FFS/PPO Pano.	SOLD	
Spring Hill	Associate/Buy-In		
St. Pete	8 ops FFS/PPO	\$1.2M	\$421K
Tampa	3 ops FFS 2 days/week	PENDING	
Tampa	4+1 ops FFS Pano.	PENDING	

SPECIALTY PRACTICES

Tampa	Pedo	SOLD	
Tampa	Prosthodontics FFS 2 days/week	PENDING	

CENTRAL FLORIDA

Contact: Paul Rang, DMD, JD

		Gross	Net
Clermont	3 ops FFS	PENDING	
Cocoa Beach	5+1 ops FFS RE Avail	PENDING	
Cocoa Beach	6 ops FFS Pano. RE Avail.	\$1.1M	\$378K
Daytona Beach	4 ops FFS RE Avail	\$480K	\$170K
Daytona Beach	3 ops FFS RE Avail	\$475K	\$167K
Gainesville	Associate/Buy-In		
Lakeland	4+1 ops FFS/PPO Pano. RE Avail	\$402K	\$145K
Leesburg	3+1 ops FFS Pano. RE Avail	\$431K	\$110K
New Smyrna Bch	5 ops FFS RE Avail	\$1.1M	\$365K
Ocala	4+4 ops FFS 2 days/wk	\$441K	\$152K
Orlando	3 ops FFS/PPO/HMO RE Avail	\$630K	\$225K
Orlando	3 ops FFS/PPO 2 days/week	\$157K	\$50K
The Villages	Associate/Buy-In		

SPECIALTY PRACTICES

Orlando	Orthodontics 3 days/week	\$577K	\$170K
Treasure Coast	Prosthodontics	\$635K	\$225K

We currently have buyers looking for the following opportunities:

General Dentistry

Broward, Collier, Dade, Orange, Sarasota

Orthodontist

Broward, Collier, Dade, Lee, Manatee, Sarasota

Pedodontist

Broward, Dade, Palm Beach

Periodontist

Broward, Palm Beach

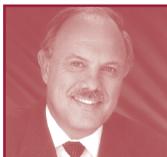


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NORTH/CENTRAL FLORIDA

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