

How to Avoid \$100,000 Mistakes in Your Dental Office Lease

with **Eric Pook**

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The purpose of the Dental Business Institute Program is to educate, train, and develop entrepreneurial dentists to successfully lead, manage, govern, and grow dental practices of any shape or size from solo practice, to managed group practice, to corporate models.



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Session One: What is the Dental Office Lease and What Should it Do for Your Business

Ultimately, the lease is an agreement between yourself and your landlord. Arguably one of the most important and most expensive checks that you will sign in your personal or professional life.

Why is the office lease so important?

1. Your office location is the foundation of your practice.
2. Investment/cost to build.
3. Very difficult, expensive and time consuming to move.
4. Practice sale.

What should the office lease do?

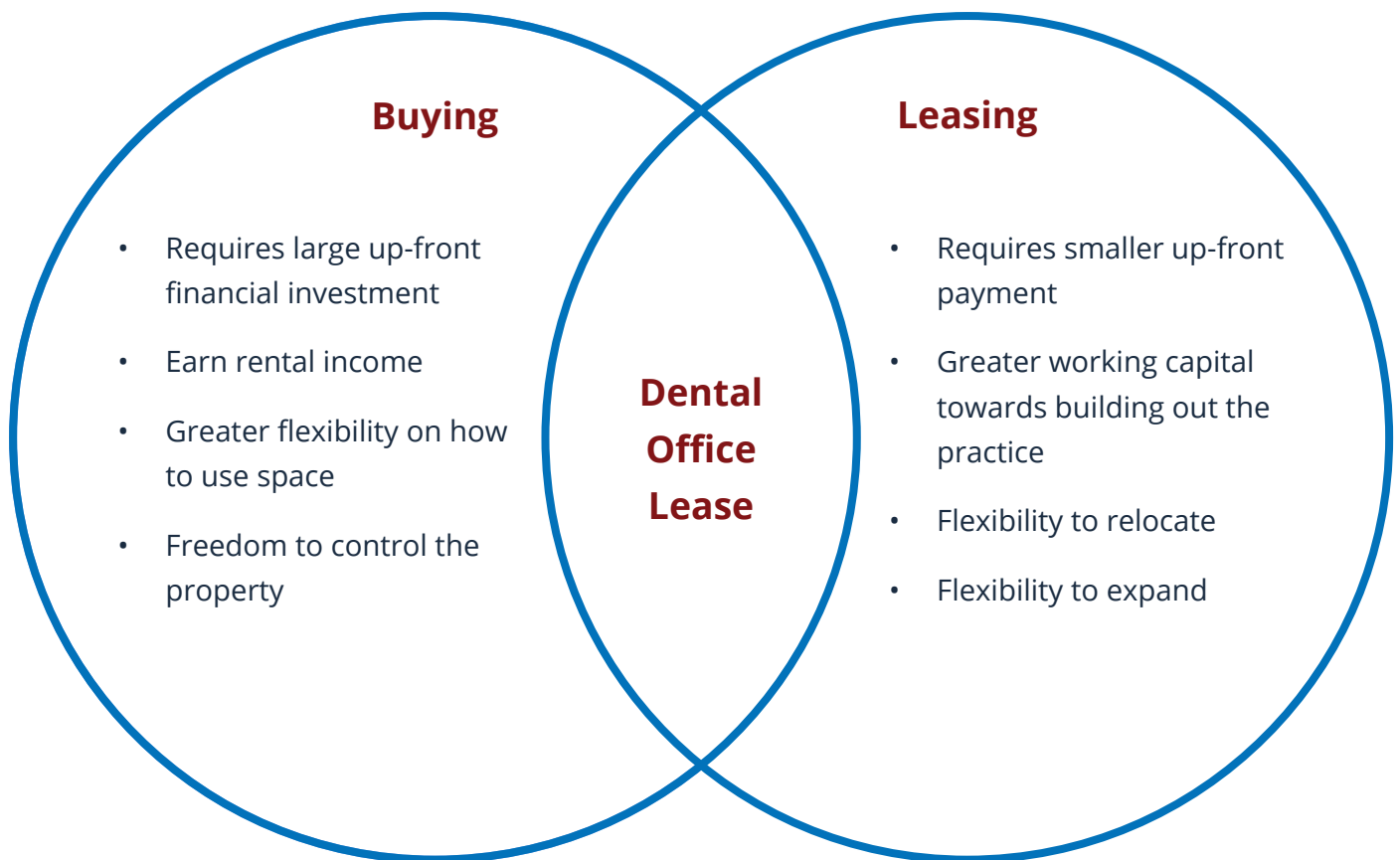
1. Provide fair and affordable financial terms (more in session 3).
2. Long term stability and security (more in session 4).
3. Minimize risk and exposure (more in session 5).
4. Maximize your flexibility (more in session 6).
5. Enhance your ability to (eventually) sell your practice (more in session 7).

The key to success when considering a lease negotiation is to “Plan, Prepare, and Prioritize”. Take advantage of the Complimentary Lease Review and Rental Rate Analysis offered as part of the DBI On-Demand program, and let our experts help you maximize your leverage.

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Session Two: I Own My Building/ Unit, Why Do I Need a Lease?

Buying vs. Leasing



4 Main Reasons Why You Need a Lease for Your Building:

1. Financials - Taxes
2. Liability
3. Value of the Building
4. Value of Your Practice

Ownership Exercise:

If you own the unit or building you practice in, ask yourself the following questions:

1) Who owns your building (personal or corporation)?

2) Who owns your practice (personal or corporation)?

3) Are you paying yourself rent today?

4) How are you tracking building expenses vs. office expenses?

5) Do you have a lease in place between these two entities?

6) When you sell, do you plan to keep the building (landlord)?

7) What is the state of your estate (scale of 1-10)?

Session Three: Negotiating the 7 Main Financial Variables in the Lease

7 Main Financial Variables in the Lease:

1. Base Rent
2. Annual Increase
3. Common Area Maintenance (CAM)
4. Fixturing
5. Free Rent
6. Tenant Improvement Analysis
7. Landlord Work

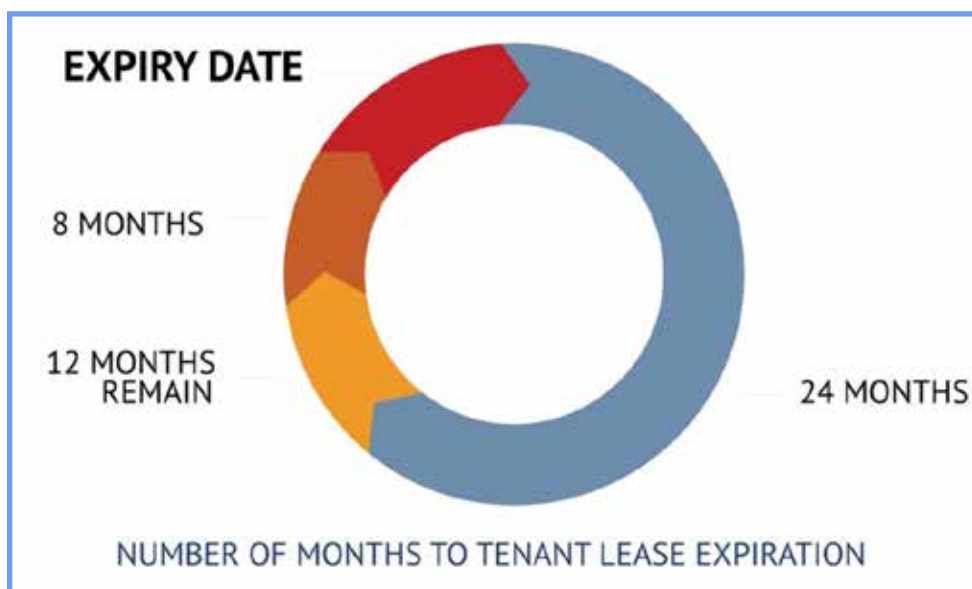
Every lease, every landlord, every tenant, and every situation is unique. Request a Complimentary Lease Review and Rental Rate Analysis and our experts will review your lease to determine your leverage and improve your current situation.

Notes:

Session Four: Top Mistakes Dentists Make When Dealing With Their Landlord

1. Unapproved Alterations
2. Undocumented Rent Deferrals / Abatement
3. Request for Financials
4. Relocation / Demolition
5. Falling Into the Landlord's Traps
6. Not Getting the Negotiation Data / Ammo
7. Undervaluing Your Time

The Tenant Lease Cycle



Notes:

Plan Your Exit Strategy



Cirrus Consulting Group's experts have the privilege of working with dentists every single day to review Dental Office Leases. Request your Complimentary Lease Review and Rental Rate Analysis and let our experts guide you through what clauses are within your lease and help you prepare for your eventual practice transition.

Session Six: Top Clauses to Look Out For

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- Alterations
 - Fixturing Period
 - Termination Language (Delivery)
 - Continuous Operation
 - Assignment
 - Demolition
 - Relocation
 - Death & Disability
 - Insurance
 - Surrender
 - Overholding
 - Personal Guarantees
 - Operating Costs Chargebacks
 - Continuous Operation
 - Quiet Enjoyment
 - Performance of Lease
 - Rules & Regulations
 - Subordination
 - Non-Disturbance
 - Exclusivity Provision
 - Exclusion of Liability
 - Reasonability
 - Compliance
 - Inspection & Repair
 - Financial Statements

Option to Renew Clause – Found in 90% of Dental Leases

Provided that Dr. Joe Black shall remain as the Tenant and if the Tenant duly and has regularly paid its rent and has performed its covenants and obligations under this Lease and has not been in Default, it shall have the option to renew this Lease for a further term of five years exercisable by written notice to the Landlord no less than nine (9) months prior to the end of Term. **Any such renewal shall be on the Landlord's then current standard form lease** at a minimum rent to be determined between Landlord and Tenant, but **in no event shall it be less than the rent paid in the last year of the original Term**. If the Landlord and Tenant are unable to agree on the market rent within sixty days of the exercise by the Tenant of its option to renew, the Rent shall then be determined by arbitration **based on the market rent for renewing tenants in the building**.

Landlord's Right to Relocate Premises – Found in 50% of Dental Leases

To the extent required in Landlord's reasonable judgment, to accommodate an expansion or reconfiguration of the Center or an expansion by a Major Occupant, Landlord shall have the right to relocate the Premises to another part of the Center in accordance with the following criteria:

Session Seven: Personal Guarantees and Continuing Liability: You Must Know This Before Selling Your Practice

Leasing Exercise:

If you lease the unit or building you practice in, ask yourself the following questions.

1) When does your lease expire?

2) What is your option to renew deadline date?

3) When do you want to transition / sell?

4) Are your options transferrable?

5) Are you personally liable?

6) Are you liable / personally liable even after you sell?

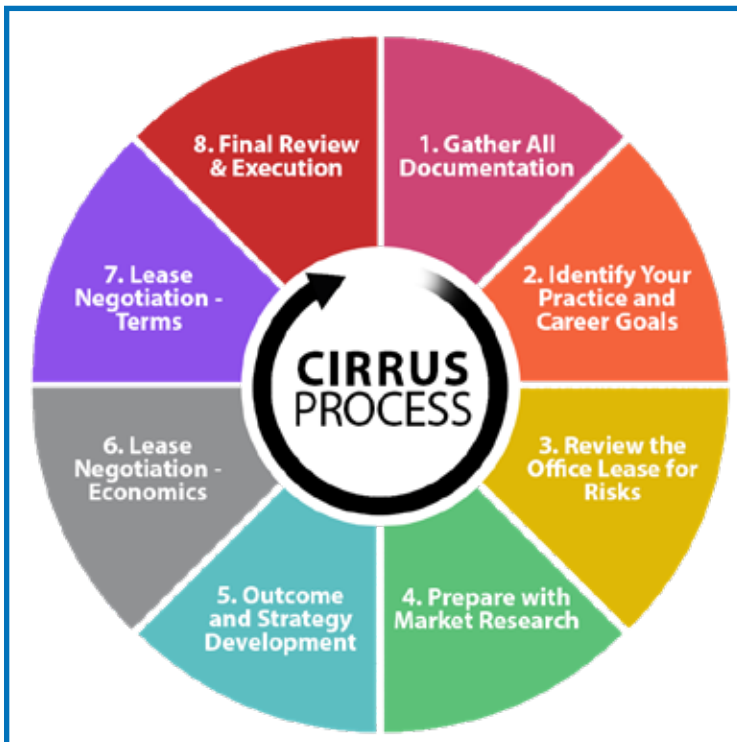
7) Does your landlord have a demolition or relocation right?

Assignment Clause – Found in 75% of Dental Leases

If the Tenant should wish to assign or sublet the Leased Premises, **it shall first have received the consent of the Landlord**. Any request for such consent shall be in writing. Within fifteen (15) days following the receipt by **the Landlord of such request for consent, the Landlord shall have the option to: (1) approve Tenant’s request to assign the Lease or sublet the Premises; (2) decline tenant’s request to assign the Lease or sublet the Premises, and/or (3) to terminate the lease agreement upon the effective date of such proposed lease assignment or sublet. Additionally, should the Landlord consent to an assignment or sublet of the Premises, Landlord shall have the right to revise the Minimum Rent to be paid during the remainder of the Term to the greater of the then current market rent for the Leased Premises or fifteen percent (15%) greater than the then current rent.** Furthermore, **should Tenant receive from the assignee or subtenant any rental income, cash, goods, or any form of consideration in connection with the assignment of this lease or sublet of the premises that is over and above the current base rental rates payable to Landlord in any fiscal year during the term of this lease, the difference between the annual rental rate and such rental income, cash, goods, or other consideration shall be paid to Landlord directly within thirty (30) days of Tenant’s receipt thereof.** Notwithstanding the Landlord’s consent to any assignment or subletting, the Tenant shall not be released from its obligations under the Lease and shall remain liable for any failure of the Tenant or its assignees or subtenants to observe each and every covenant of the Lease.

Session Eight: Top Tips & Tricks on How to Negotiate Your Lease Like A Pro

Strategies & Tactics for Winning Lease Negotiations



Notes:

Notes:

Questions? Book your Complimentary Critical Dates and Risks Analysis, courtesy of DBI On-Demand (\$1,995 value). Our dental office lease negotiation experts will carefully review your lease and walk through your lease risks, structure a call to go through your practice goals and timelines, discuss long-term objectives, create a negotiation strategy, and determine if you are a good fit to receive professional guidance during your lease negotiation.

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