Disclosure:

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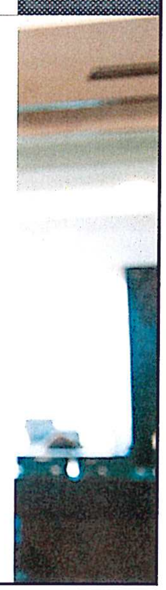
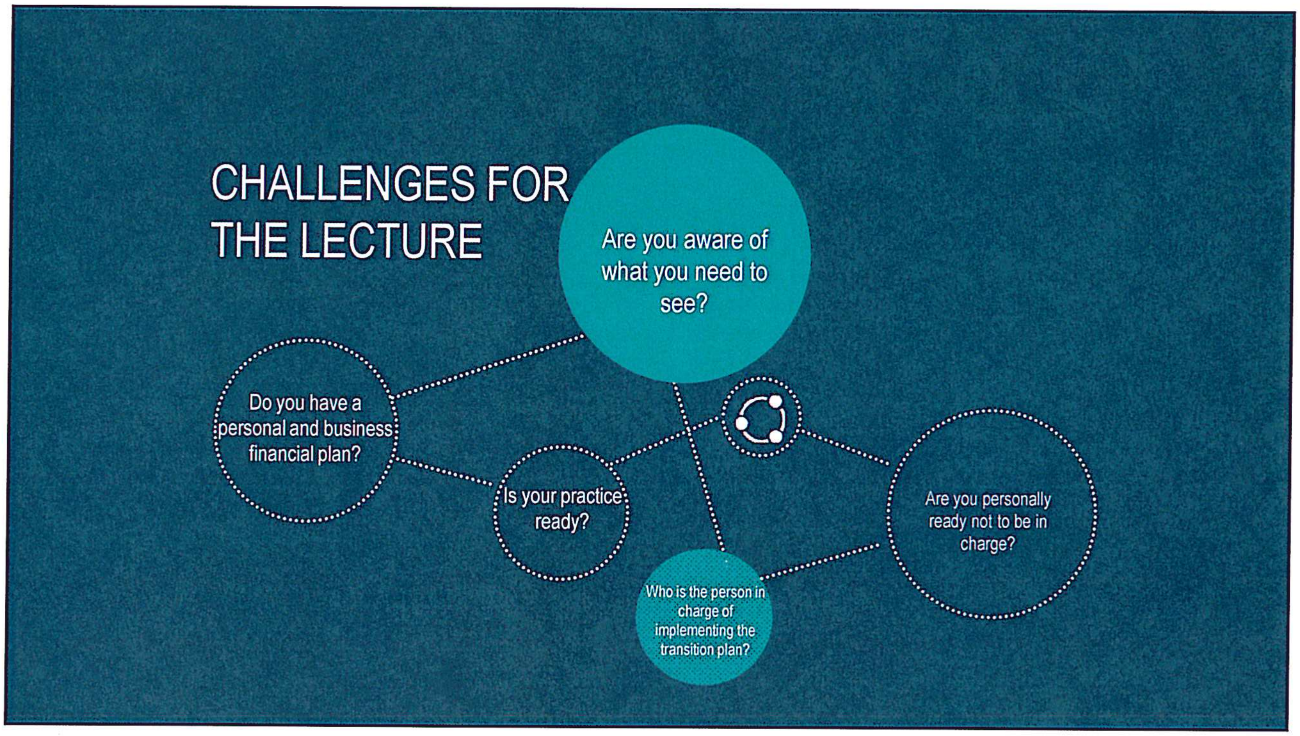
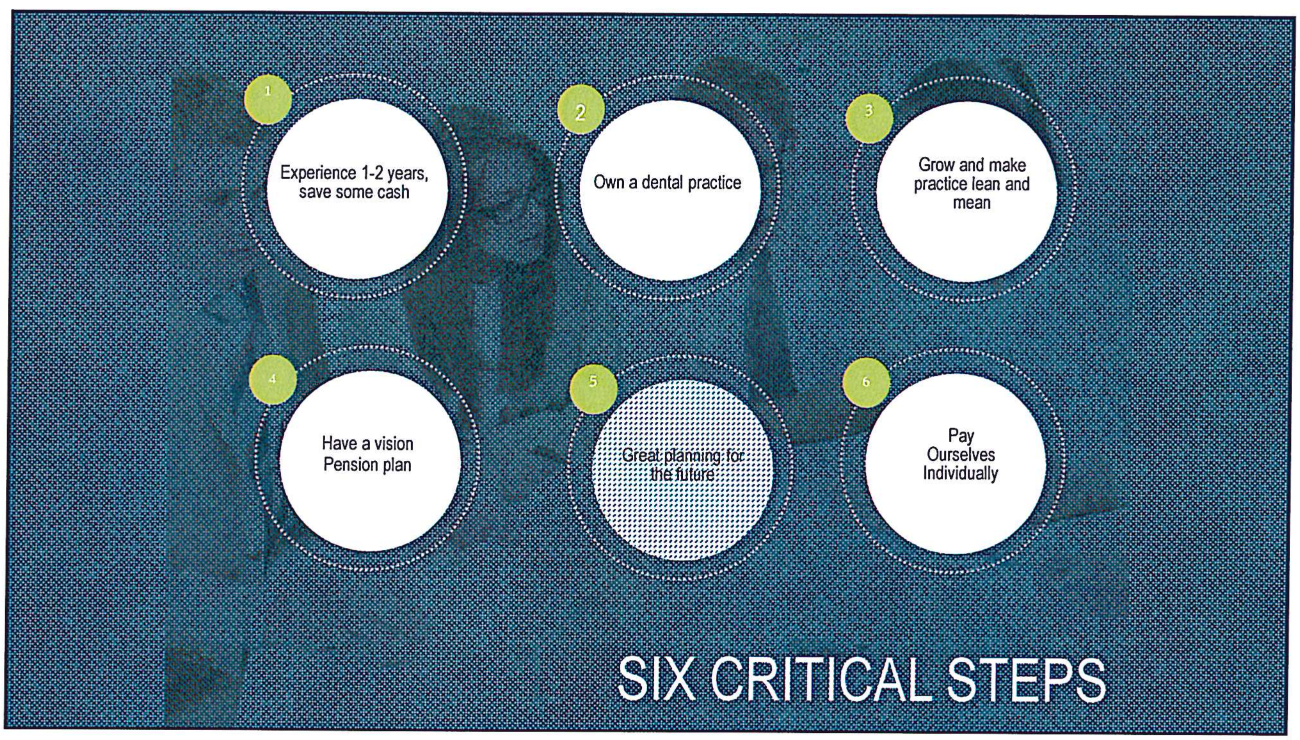
For additional disclosure, please refer to the Cain Watters & Associates P.L.L.C. FORM ADV Part 2A. You may obtain a copy by contacting Cain Watters & Associates P.L.L.C. at 972-233-3323 ext. 6015, or send a written request to Gary V. Moore, Chief Compliance Officer.



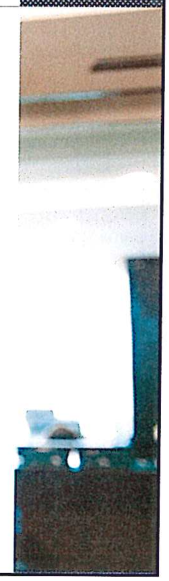

CHALLENGES FOR THE LECTURE
Are you aware of what you need to see?
Do you have a personal and business financial plan?
Is your practice ready?
Are you personally ready not to be in charge?
Who is the person in charge of implementing the transition plan?


1
Experience 1-2 years, save some cash
2
Own a dental practice
3
Grow and make practice lean and mean
4
Have a vision Pension plan
5
Great planning for the future
6
Pay Ourselves Individually
SIX CRITICAL STEPS

The Deal

"Good:"

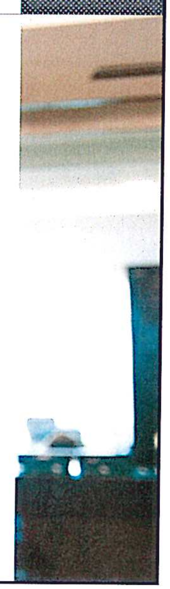
- Equity from the practice
- Means of transitioning your patients
- Significance for the seller
- Cash up front — furthers seller's retirement
- Seller can shelter the proceeds
- Buyer gets huge tax deductions
- Buyer owns sooner than later
- Buyer starts saving toward retirement sooner



The Deal

"Bad:"

- This guy or gal is costing me money
- I didn't get enough money for the practice
- We value it when
- I paid too much for the practice
- Loss of control - I will be 51% and you 49%
- He/She is still in control
- Loss of relationship
- No relationship
- Working harder
- Loss of significance



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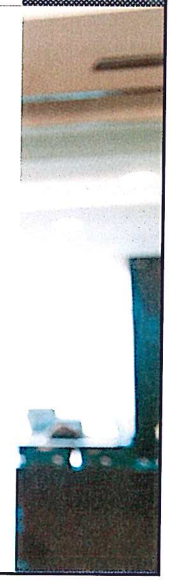
The Deal

"Ugly:"

- Borrowing more money
- Current dental school debt
- Paying the tax on the sale
- Buyer has no cash
- Lack of marketing plan



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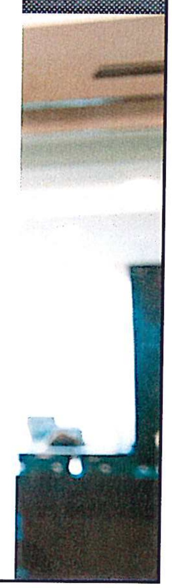
"Having a business plan and personal financial plan before I sell the business I built is absolutely critical."

Somebody really wise wrote that.

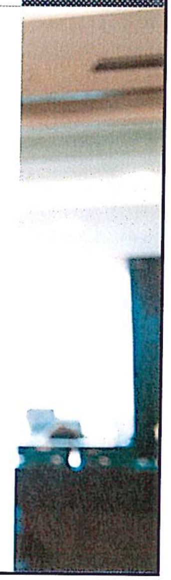


Is Your Business Ready?

One doctor general dentistry bringing in an associate to partner:

- Collections: ideal $900,000-$1,100,000
- Overhead: 55%-60% with a goal below 60%
- Fixed costs 15-20%
- Direct costs 35%-40%

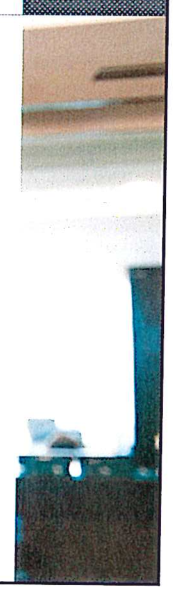
We need the established doctor to make money to afford the new doctor coming in.



Is Your Business Ready?

One doctor general dentistry bringing in an associate to partner:

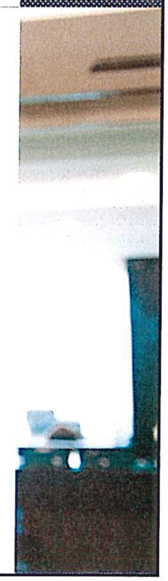
- Person: You LOVE them
- Your personality testing says it's a go
- Use third parties to help you here
- Your entire team blesses the decision
  - 'Dr. you are crazy if you don't hire him/her"
- Unique skill set they are bringing passion, commitment, training, technology, hometown boy/girl, different religion, Spanish



Is Your Business Ready?

One doctor general dentistry bringing in an associate to partner:

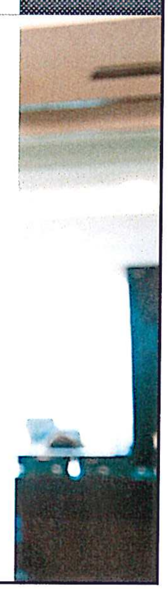
- Marketing
  - Ideal new patients per month 35-45
  - Rate your website—owner and staff pictures, associate pictures, is the website about you
  - Search engine optimization/ Pay per click Google campaign
  - Direct mail-5,000 pieces per month for new areas
  - Rate your office interior—what pictures are hanging
  - Rate your internal referral with hygiene, front desk, assistant, and you
  - Rate your tracking of these referrals
  - Most importantly rate your front desk answering the phone



Is Your Business Ready?

One doctor general dentistry bringing in an associate to partner:

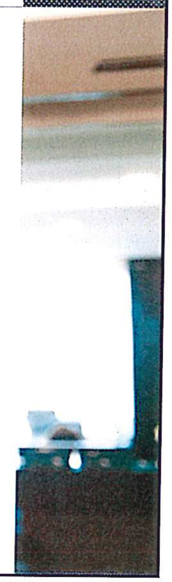
- Technology, Equipment and Finish out:
  - What appearance do you have?
  - What are goals with new patients?
  - How efficient is your day?
  - What are you diagnosing and presenting?
  - What recall systems do you have?



Is Your Business Ready?

One doctor general dentistry bringing in an associate to partner:

- Space:
  - 2200 square feet for 5 ops
  - 3500 square feet for 7 ops
- When is your lease up—can we expand, do we build, do we build before he/she gets there?
- Staggered hours and 5 days a week
- New consult room for large case presentations

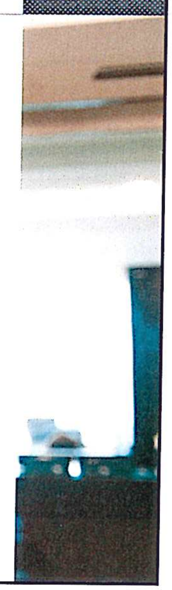


Is Your Business Ready?

One doctor general dentistry bringing in an associate to partner:

- Your dentistry and patients
- Fee for service
- PPO
- Kids
- Molar endo, surgery, implants, Invisalign, full mouth cases

Are you treating and marketing to all patients?



Is Your Business Ready?

Your financial plan:

- Can you afford to take cut in pay? If so, how much?
- What tax planning do you have in place?
- How will the sale help you financially?
- How much does the business need to grow so that you make the same income you are making now?

Example 1:

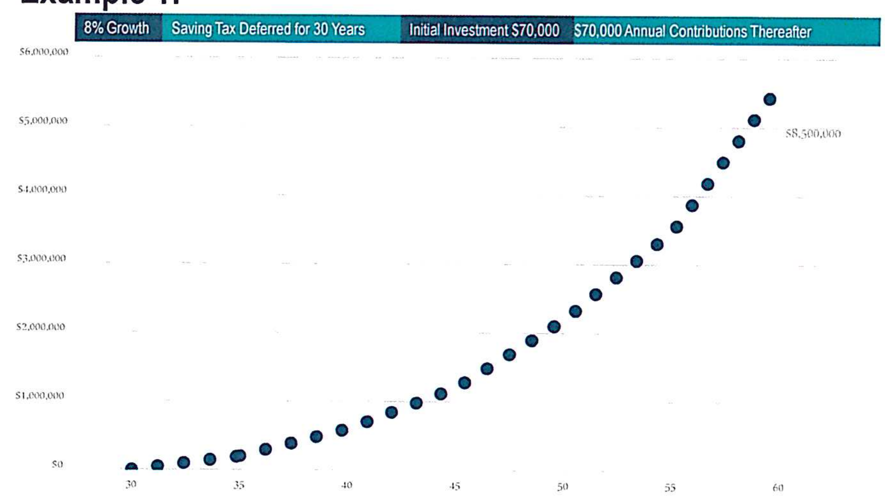
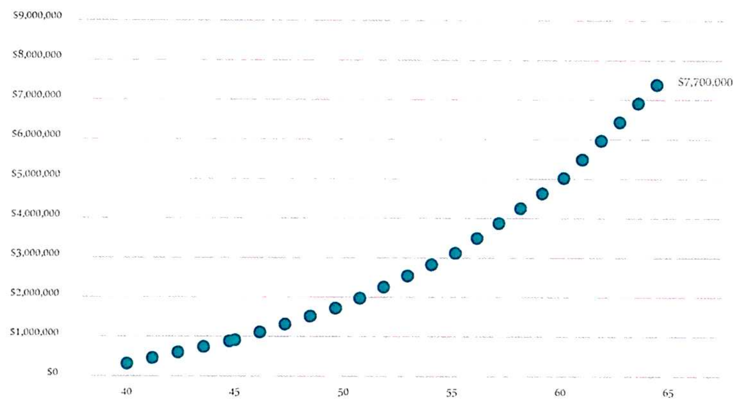


Chart illustrates an initial investment of $70,000 at age 30 and includes annual contributions of $70,000 thereafter. Returns are based upon an 8% return compounded annually on both the initial investment and annual contributions over 30 years. Market and economic factors can change rapidly, investments involve risk and clients can experience a loss. Actual results may vary materially from example.

Example 2:

Target rate of return is 8% per annum | Tax deferred savings for 25 years | Current savings of $300,000

Annual Contributions of $70,000 Thereafter



This chart illustrates growth of savings based upon an initial one time investment of $300,000 at age 40 and includes annual contributions of $70,000 thereafter that earns an 8% return compounded annually over 25 years. Market and economic factors can change rapidly, investments involve risk and clients can experience a loss. Actual results may vary materially from example.

Example 3:

Target rate of return is 6% per annum | Tax deferred savings for 15 years | Current Savings of $1,000,000

Annual Contributions of $70,000 Thereafter

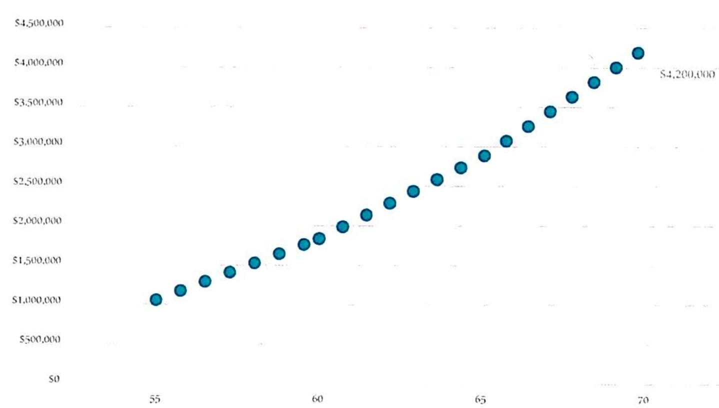


Chart illustrate growth of savings based upon an initial one time investment of $1,000,000 at age 55 and includes annual contributions of $70,000 thereafter that earns an 6% return compounded annually over 15 years. Market and economic factors can change rapidly, investments involve risk and clients can experience a loss. Actual results may vary materially from example.

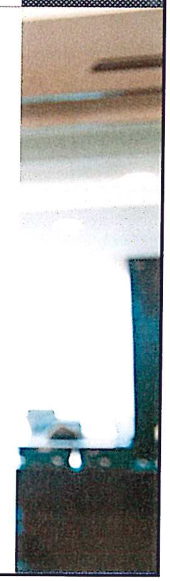
Break even on the associate

Monthly Direct/Fixed Costs

Associate compensation	$7,500
Full-time assistant	$2,000
Capital investments	$1,500
Monthly costs	**$11,000**

Divided by (1-.40) current direct cost of 30% (supplies 6% , labs 7%, office supplies 2%, utilities, additional staff 15%) = **$15,714** monthly or **$188,571** annually

Direct costs—current staff cost, supplies, lab, office expenses, and misc.



Expected salary in private practice

- First year base salary
  - D4 - $90,000 guarantee plus incentive
  - AEGD, GPR, 1 year experience - $110,000 guarantee
  - Ortho - $140,000- $160,000
  - Pedo - $160,000 - $225,000
  - Endo - $175,000 - $200,000
  - OMS - $200,000 - $300,000
  - Perio - $130,000 - $160,000
  - Proth - $130,000 - $160,000

- Monthly compensation example:
  - $7,500 month guarantee or the greater of $25,000 at 30%
  - $35,000 month x .30 =$10,500

Goals for the office

Entire team understand what the break-even is with associate

- Dental student straight out of school expectations
  - $30,000 of monthly collections by the 6th month
  - Two weeks of hands on CE courses at minimum
  - Meet as many patients as possible
  - Shadow established doctor as much as possible

- One year, AEGD, GPR expectations
  - $40,000-$160,000 of monthly collections by 6th month
  - Marketing any unique skill set candidate might have internally

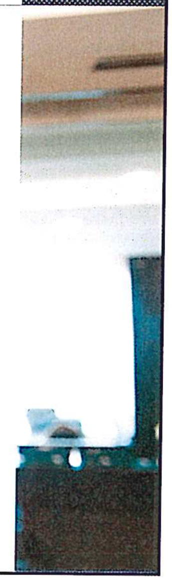
Goals for the buy-in

Based on the financial plan of established doctor:

- Forecast the practice collections with new overhead.
- What does the practice need to produce for the senior doctor not to take a pay cut?
- How much can the senior doctor afford to take a cut in pay?
- Run those projections out and that will determine what the associate needs to produce to buy-into the practice.

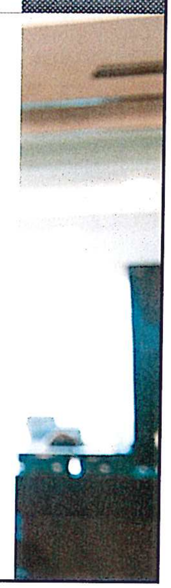
“I need an associate” Phase

- Total collections are $1,000,000
- Doctor collections are $750,000
- Hygiene collections are $250,000
- Direct costs are 40%
- Fixed costs are 20%
- Net benefit to the doctor $400,000
- Monthly new patient 30-40
- Little marketing efforts
- Doctor production is booked out for week or two
- Hygiene is booked for two months
- Spending very little time with new patients
- Currently referring out endo, surgery, ortho, implants
- 5 ops but space for 1-2 more



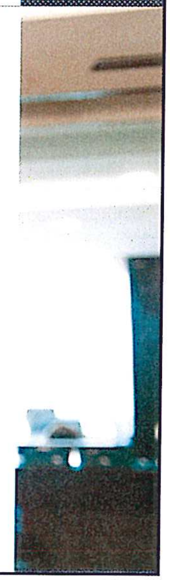
Goals during associate phase

- Total collections months 1-12: $1,250,000
- Total collections months 13-24: $1,500,000
- Total hygiene collection month 24: $125,000
- Associate collections month 13: $30,000
- Associate total collections months 13-24: $450,000
- New patients consistently: 35+ a month
- Lower my overhead 5%
- New doctor taking advanced courses
- Majority of new patients seen by the new doctor
- All new patients are asked “What would you change about your smile?”
- The new patients that complete that sentence are seen by the established doctor



When does it make sense for the partnership?

- Total collections are $1,500,000 (goal after two years of marketing)
- Established doctor producing $675,000 (60% of doctor collections)
- New doctor producing $450,000 (40% of doctor collections)
- Hygiene collections are $375,000 (grew by 3 hygiene days a week)
- Direct costs are 38%
- Fixed costs are 17%
- Net benefit to the doctors $675,000 (this is key) prior to partnership
- Established doctor $405,000 (60%)
- New partner $270,000 (40%)
- $450,000 x .30 (associate compensation) = $135,000

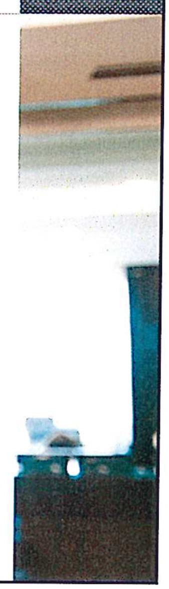


Valuation Process

1. General Practice
   - $1 million collections, nice equipment,
   - 50% overhead, selling doctor staying in the practice
2. General Practice
   - $1 million collections, old equipment,
   - 70% overhead, selling doctor selling immediately
3. Ortho Practice
   - $1 million collections, nice equipment,
   - 55% overhead, west of I-5
4. Pediatric Practice
   - $1 million collections, old equipment, Medicaid, 50% overhead, rural America

Value

1. **$750,000 - $800,000**
2. **$550,000 - $650,000**
3. **$900,000 - $950,000**
4. **$400,000 - $500,000**



CWA provides Practice Transition Consultation Services but does not provide valuation services. CWA's related company, National Dental Placements, LLC, provides practice valuation services in connection with CWA's Practice Transition Consulting Services.

What will both sides expect?

Senior doctor

- Approximate valuation $1,000,000
- When do we value? Around the 18th month?
- $400,000 net proceeds
- 80% of the value taxed at 20%
- 20% of the value taxed ordinary income
- Similar income
- More time off
- Practice is more efficient
- More work in the beginning, less now
- Mentorship

Buying doctor

- Approximate valuation $1,000,000
- Valued after you were there because senior doctor took huge risk
- You borrow $400,000 over 10 years at 5% paying annually $51,000
- You net after debt service $219,000
- You are building equity in a business
- You are deducting the debt payments
- You are being mentored
- You made money sooner and now have first right of refusal on the other 60%
- You have a business that you can tax plan from
- You are making twice as much as an owner (270k vs. 135k)
- You have the ability to start funding a pension plan

Setting the deal up

Operating Partnership

Can be a general partnership or a LLC

Selling Doctor Corporation

Buying Doctor Corporation

Selling Doctor Personal

Buying Doctor Personal

Philosophy of Splitting the Money

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- Portion of profit should be based on ownership
- Majority of splitting the money should be based on production – General Rule is 35% of production
- "He who receives the benefit pays the expense"
- Partnerships are difficult to set up but if well executed it can be rewarding both financially, physically and emotionally.

Contact us for a Complimentary Review

Booth #1017

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