



Practice Acquisition and Start-up Guidelines

VISION ONE CREDIT UNION

Guidelines - Practice Acquisition and Start-up

Vision One Credit Union

Vision One Credit Union was founded in 1951 as a non-profit financial institution originally to finance first time ODs into private practice ownership. Since then, we have expanded and also finance practice investments to help grow your practice and build wealth. This includes loans for second practice purchase or start-up, equipment, expansion, relocation and purchase of the practice real estate.

We have financed hundreds of practice acquisitions including partner buy-ins (partial interest). We offer favorable loan rates and terms for practice owners including special programs for first time practice buyers. This includes the Vision Loans Program which is a joint effort of Vision One Credit Union, VSP and Essilor.

We fund our loans with deposits accepted from practitioners and companies supportive of independent optometry. Vision One Credit Union also provides all of the depository accounts needed by the private practitioner including cash management, online banking and settlement support.

These Guidelines were designed to help clarify the thinking process of ODs who would like to purchase or startup their first practice. This is a guideline and is not a replacement for adequate buyer due diligence, an acquisition support team or a comprehensive decision-making process. A good support team consists of practice knowledgeable professionals and can include an accountant, attorney, appraiser, consultant and Vision One Credit Union.

Business Plan

It is very important to create a sound business plan prior to making an investment in a practice. Lenders generally require a business plan for a practice acquisition or start-up loan.

Vision One Credit Union has been reviewing business plans for optometrists for over 50 years, and has put together some guidelines based on the best plans we have seen. We have also included some helpful hints in each of the key areas of the business plan.

Anytime a business changes from its' historical patterns, some form of business analysis should be performed to determine the current and future financial and business implications. In a start-up practice, the analysis process is from the ground up.

A business plan has many elements. Some of the key elements used when applying for a practice acquisition or start-up loan are discussed below.

Overview - Professional Objectives, Ownership Structure, Resume

What do you hope to accomplish with the practice? Will any of the owners work outside the practice to supplement income? If so, where, how much, and for how long? With most start-up practices, the optometrist plans to work in other practices part of the time to make ends meet.

For each proposed practice owner include education and ophthalmic specialties, employment history, and other areas of expertise (i.e., business minor in college), previous experience in managing a business and professional affiliations. When attempting to get a practice acquisition loan it is best to have actual experience working in a private practice. Generally two to three years is adequate. This will give you an idea if you would like to own a practice, give you hands on experience and hopefully an opportunity to learn some of the business aspects of managing a practice.

Specify the preferred business structure: sole proprietorship, partnership, corporation, shared overhead.

When purchasing a practice, specify the level of participation of the seller after the sale. The selling doctor, at minimum, usually informs the patients about the new optometrist, reassuring them they are still going to receive the same high level of service. Many sellers continue to work in the practice as a contractor for a specified period of time. If the selling OD does not stay on to aid the transition in the practice purchase, in many cases, gross revenue may be diminished by 20% or more. This can result in as much as 50% decline in net cash flow.

Demographics

Understanding the demographics of the trade area surrounding the practice is critical to the success of the practice.

What is the geographic profile in the area of the practice (by household income, households with children, age, education, ethnicity, employment type)? What is the past and future growth potential?

How many potential patients are covered by insurance--what kind? How many other providers are in the trade area of the practice? What is their specialty? Where are the closest competitors located? You don't want to locate your practice in an area that has too many eye care providers. You should determine your service area, the number of providers and the population in that area (people who live or commute to the area). Then divide the population by the number of providers, including you. Vision One Credit Union's experience suggests a minimum ratio of ODs to population of 1 : 7,000.

This analysis will help you determine if you are targeting the population that works or lives in the area. Once determined, your hours of operation must accommodate when potential patients can see you.

Determining your target market by demographics and capacity for purchasing eye care is important in establishing exam rates, product lines, specialties, and marketing strategies. *This is your source of income--focus on it.*

Attached to this document is a list of internet based resources Vision One Credit Union uses to help determine demographics.

Office Location

Different strategies for attracting and retaining patients are used depending on the type of setting you choose--shopping mall, medical building, business district, or residential area. What is the merchant composition in the immediate vicinity? What are the future development plans in the vicinity? The county planning office will generally know of major developments planned in the area well in advance of any groundbreaking.

What is the visibility and accessibility (freeways, commuter traffic, etc.)? Visibility during commuter traffic does not ensure potential patients will stop on their way to or from work unless you give them a good reason! Your

advertising must reach those people! Are there any barriers that restrict patients from reaching the practice? For instance, a parking lot entrance that is difficult to maneuver could prevent patients from getting to you.

Negotiating a lease is required whether you buy or start-up a practice.

When entering a lease arrangement, check comparable rates per square foot in the area. If you have done your demographics homework, you should feel comfortable signing a five-year lease knowing the area will support your practice in the years to come. Make sure you have options to extend the lease so you are not forced to relocate or renegotiate a lease on disadvantageous terms. The lease term plus options should be at least as long as the term of the loan you might need to acquire or start up the practice. Specify the terms of any option or renewal periods. Make sure you have your loan commitment before you sign your lease. Negotiate the lease but signing is subject to obtaining a financing commitment.

When entering into a lease on a new location (start-up practice) there is a need to build out the space for optometric use. You can generally negotiate some or all of the build out, also known as leasehold improvements, to be paid by the lessor, depending on the strength of the real estate market. Try to negotiate a few months of free rent to allow you to complete your tenant improvements and help cover costs during the move in and ramp up of business. Get estimates or actual bids on the improvements you want before signing the lease. You will want to know the actual cost of improving the leased space to your specifications. This aids the lease negotiations and planning for capital investment for the practice. A lender will require this as part of the loan application.

Watch for hidden costs that could substantially change your occupancy expense:

- CAM (common area maintenance--utilities, landscaping, etc. for the common areas divided proportionally by square footage)
- "Triple net lease" and "net leases" (passes costs of taxes, insurance and repairs to lessee)
- "Percentage rents" (a percentage of your sales over a certain threshold paid to the lessor).

A copy of the property's actual expenses for the prior year and the budget for the current year will help you calculate your exposure in these areas. These charges can be capped from increases from year to year, generally based on increases in the consumer price index (CPI).

Parking and signage costs must be considered; needs depend on your setting. Your practice purchase support team attorney should be able to quickly review the lease to make sure there are not any unusual provisions.

Marketing Strategies

The marketing strategy should be focused on the best means to reach your target market.

Practice Acquisition: For the acquisition of an existing practice, determine what marketing strategies have historically worked best. Then look to see how you can improve the impact.

Start-up Practice: For a start-up practice you need to define your target market. Understand the competition you face and explain how you will differentiate yourself from them. Then determine how you will let your potential patients know about your practice and specialties.

Determine which vision and health care plans you will join. There is great value in letting the insurance plan do your marketing. You will need to analyze each plan you are considering to ensure you will get referrals without selling yourself short in compensation from the plan. Understand the plan and each party's responsibilities before joining. Know how your practice will be referred by the plan. When buying existing practices, make sure you join the insurance panels used by the patients. Expansion to new panels should be reviewed based on the insurance utilized by the practice patient base or proposed base within the trade area.

What kind of advertising will you do—website, telephone book, newspaper, direct mail, patient referrals, telemarketing, newsletters, community groups, TV, radio, patient recalls, trunk shows, etc.? Get estimates of the costs of any type of advertising you choose. If you are going to offer discounted services for new patients, make sure you take this into account in your financial projections.

Financial Plan

Cash Flow from Operations & Capital Costs

There are two types of cash flow to look at when purchasing or starting up a practice. First is cash flow from operations which comes from collected patient revenue less all of the ongoing expenses to run the practice (cost of goods sold,

wages, occupancy, utilities, etc.). Capital costs are the other type of cash flow. Capital costs are up front costs to purchase or start-up a practice. These costs include acquisition price and working capital. Additional capital costs for start-ups include equipment, leasehold improvements, fixtures (frame displays) and initial inventory. Capital costs can be financed through practice “acquisition” or “start-up” loans.

Practice Acquisition Loans

For practice acquisition loans your due diligence must determine if the ongoing cash flow from operations is enough to pay acquisition loan debt service and provide you with enough income for your living expenses. Your support team accountant can help you with the calculations. When applying for a loan through Vision One Credit Union, we will also review the cash flow to help determine if the acquisition loan can be repaid. We can send you an electronic spreadsheet form you can use to help determine the expected cash flow requirements and capital budget. It is not a substitute for your due diligence but is one additional tool that can help.

Key considerations in your analysis include making sure all income sources are sustainable upon your acquisition, such as being able to join the insurance panels used by patients, offering similar and additional specialty services, succeeding in interest to any existing direct contracts for patient sources such as those with a colleges or large area employers, etc. Make sure there will be no material increases in the expenses of the practice when you takeover, such as ongoing property lease rates, employees that have to be replaced (maybe the selling doctor’s spouse worked in the practice without compensation and will need to be replaced with a new salaried employee).

When performing your due diligence, you will want to review the last three years financial statements and tax returns of practice. Make sure the statements you receive are for the practice you are buying and do not include any other business interests. Sometimes a seller is selling one of many practice locations. Make sure the financial statements reflect just the location you want to purchase. In addition, sometimes the seller has other income sources such as lecturing, out-side contracts, etc. that will not convey to you as the buyer. Be sure to identify non-transferable income sources.

Look for trends in gross income, operating expenses (by category), and net income. Negative trends will need to be explained to determine if they are short or long term in nature (i.e., income went down because a significant employer left the market, which represented 40% of the patient base).

A part of your due diligence is to determine what if any cash out flow (capital costs) will be required. Capital costs include:

- Cost of new inventory
- Cost of new ophthalmic equipment, leasehold improvements, furniture, frame displays, computers, office equipment, etc.
- Working capital to cover cash shortfalls per your projections.
 - Take into account the delay between patient visits and repayment from insurance and accounts receivable. You will probably want to consider taking credit card and ATM payments. Though there is a slight fee for the service, you get instant credit and reduced expenses for bounced checks. It also reduces billing expense. Vision One Credit Union offers a reasonable “merchant services” program that accepts major credit card and debit card payments.
 - An average working capital estimate for the acquisition of an existing practice is about two to two and one-half months of operating expenses (including owner draw requirements). Make sure you have this amount in your Vision One Credit Union business checking account upon acquisition.

Once you have completed your review and determined your capital budget, you will want to project future operating cash flow by creating a Cash Flow Proforma. Vision One Credit Union has templates available to help you with this process.

In your Proforma, you will project your expected Revenues, Cost of Goods Sold (COGS) and on-going operating expenses based on the historic findings. From your due diligence, you can determine and adjust for changes that will affect the practice cash flow and will include these changes in your projections:

- How will income and expenses be affected by changes you will make immediately? (i.e., changes to staffing that affect salaries).
- Is there new competition? (i.e., the practice is selling because a commercial practice moved into the mall last month).
- Are the insurance programs transferable to the new purchaser? What are the requirements?
- Is there a new business structure that may require new projections (i.e., new associate added to practice with a compensation base plus x% of exams and x% of sales).

Be sure to include the debt service of the new loan as well as your required owner draw.

Partner Buy-in (partial interest acquisition):

For partial interest buy-in loans, many buyers retain an impartial third party to appraise the practice, then pro rate the value for the percentage of the practice being purchased. The value of the practice is reduced for any outstanding debt (pro rata based on percentage ownership) on the practice at the time of your acquisition.

The most important aspect of your due diligence process is to determine if the cash flow from the purchase of the partial interest in the practice will cover the payments on the loan and provide you with a reasonable ability to pay for living expenses including personal debt service (such as student debt). Rule of thumb to determine how much income you might need for a partial interest loan: add the required loan debt service amount to your existing wages (assuming you are covering living expenses with your existing wage). This is the minimum amount you should require from your share of practice cash flow.

A partial interest buy-in usually does not require any additional capital costs.

Vision One Credit Union offers loans for this type acquisition. You can call us and we can walk you through the process and help determine the required income that would allow us to make a loan for the acquisition.

Practice Start-up Loans:

Start-up practice operating cash flow is strictly based on projections; both expected revenue and anticipated expenses. Therefore, it is imperative that a thorough business plan and demographic study be completed. Be sure to explore in your study:

- How many patients will be seen per day and how many will be billable versus follow-up? Start-up practices generally see 1-2 patients per working day to start.
- What percentage of patients will be pay cash (includes cash, check, credit or debit card), VSP, or other insurance/managed care payment?
- How much is the income per type of service?
- How many sales per patient will be generated for glasses, contact lenses, and other income streams, based on the target market?

- What is the mark-up on glasses and contact lenses relative to cost-of-goods sold and insurance reimbursements? This will depend primarily on the target market and how you expect to be paid. The demographics of the area and the analysis of your competition will support your charges. Do not forget to factor in any promotions you may be offering for new patients.

Operating expenses will still occur, whether or not there is revenue, therefore start-up practices generate negative operating cash flow until break even is achieved. Start-up practice operating cash shortfalls should be quantified through a Proforma (budget) which you will need to prepare. Vision One Credit Union also has templates you can use to help in the analysis. It is not uncommon to start out with \$125,000 or more in working capital for a standard start-up. It might take many years to reach a breakeven point, which means you will need adequate working capital to cover the shortfall.

The following is the partial budget of operating expenses:

- Cost of goods and lab expenses (do not forget the salaries of lab employees if you have an in-house lab).
- Operating expenses:
 - ADVERTISING--don't underestimate! Get actual costs of the media you are considering. Other expenses are postage, office supplies, insurance, dues & publications, continuing education, travel & entertainment.
 - Wages--salaries/payroll taxes/benefits. Consider a full-time receptionist to make appointments, even on days you are not practicing. Many offices have multi-functional receptionists (i.e., opticians and para-optometrics).
 - Occupancy expenses (rent/mortgage, telephone, utilities).
 - Professional expenses (legal fees for drawing up agreements, accounting fees, etc.). These vary depending on business structure. Allow a budget of at least \$3,000 for set up costs.
 - Other (insurance, etc.).
- Financing (loan payments).
- Owner's draw to cover personal living expenses. Some living expenses will come from other sources of income (spousal, outside employment). Establish the minimum you need to withdraw from this practice to live. Be realistic!

The capital costs for a start-up practice is a little more extensive than in an acquisition. Capital Budget items include:

1. Soft costs such as architect fees, lease deposits, attorney fees, etc.
2. Cost of leasehold improvements (build-out of the leased space).
3. Cost of ophthalmic equipment, furniture, fixtures, frame displays, computers, office equipment, signage, frame and contact lens inventories.
4. Working capital to cover cash shortfalls per your projections.
 - Take into account the delay between patient visits and repayment from insurance and accounts receivable. You will probably want to consider taking credit card and ATM payments. Though there is a slight fee for the service, you get instant credit and reduced expenses for bounced checks. It also reduces billing expense. Vision One Credit Union offers a reasonable “merchant services” program that accepts major credit card and debit card payments.
 - Add some additional working capital in case your projections are short. Lenders generally will not let you come back to borrow more working capital as you will be categorized as missing your projections and in trouble.
5. Owners draw - only budget what you need to cover personal living expenses, but be realistic.

To summarize, for the acquisition of existing practices, project your cash flow realistically for each of the first twelve months to ensure you have allotted enough working capital. For start-ups it is important to budget through a breakeven point including owner draw and debt service. This can take anywhere from one to three years or more depending on specific local circumstances. Make sure you budget conservatively so you don't run out of cash (working capital) prior to the practice achieving positive cash flow.

Both the capital requirements and the operating projections are generally best prepared by you with support of your accountant. The projections should be prepared in a spreadsheet program so you can make any changes to your projections quickly, easily and consistently. Vision One Credit Union has spreadsheet programs you can use that are formatted specifically for practice acquisitions and start-ups.

Practice Appraisals

To help establish a reasonable price for the practice, many buyers hire a professional practice appraiser. The appraiser will determine the value of the practice as a going concern. This means the appraisal will be heavily reliant

upon the net cash flow of the practice to determine value. You might want to also have the equipment appraised.

An investment in an appraisal at the onset is small when compared to the cost of the practice and is helpful for both buyers and sellers to understand the value of the practice. It can be used as a negotiation aid. A lender might require an appraisal.

There are no quick formulas for determining the value of a practice and each situation has unique circumstances that affect value. There are a few things you should be aware of regarding practice values.

- Sustainable practice net cash flow is the biggest factor used to determine value.
- Responsible lenders will not provide a practice acquisition loan if there is insufficient income from the practice and other sources, regardless of practice value.
- Cash flow pays bills, debt service and provides your personal income, value does not.
- Many sellers believe a practice is valued at 65% of gross collected revenue. This can be true if the practice creates net cash flow in a normalized range. If outside the range, the practice value will vary up or down.
- Utilize reputable appraisers only. There are no requirements or licensing in most states relating to practice or business appraisals. Make sure the appraiser you pick is experienced with optometric practices and bases the appraisal on practice cash flow. Vision One Credit Union can give you a list of reputable appraisers.

Demographic Analysis - Online Resources
Vision One Credit Union
www.visionone.org

1. Demographics

This is a U.S. Census Bureau website which gives helpful information categorized by State. More advanced searches are easy by selecting specific Counties and Cities.

<http://quickfacts.census.gov/qfd/index.html>

Search demographics by zip code.
Links to Local Chamber of Commerce.

<http://www.muninet.com/>

2. Bureau of Labor Statistics:

Data on unemployment by state and regions. This is a good tool when considering the possible impact of economic trends / unemployment trends on practices.

<http://www.bls.gov/lau/>

3. Businesses in the area:

Useful information when looking at large companies and the insurance they offer / per capital income and its impact on practices.

<http://www.loc.gov/rr/business/duns/duns12.html>

<http://www.hoovers.com/>

<http://www.census.gov/econ/> (business patterns and trends)

4. Distance between Cities:

This is a good tool that may come into play when determining the commute time between practices and your home.

This site also gives you demographic detail for a specific city –age, density, education, ethnicity, families, growth, income, skills, school districts, housing and building permits issued, crime, etc. Includes useful maps and grids.

<http://www.ersys.com/>

5. Doctor Locator:

This website gives you the number of Doctors within a 1, 3, 5 etc. mile radius. Specific searches for InfantSee participants, Sports Vision etc. This links from the AOA website (not endorsed by AOA)

<http://www.aoa.org/x5428.xml>

VSP Doctor locator/ search

<https://www.vsp.com/find-doctor-location.html?id=guest>

Yellow Pages

www.yellowpages.com

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PROVISIONS OF A BUSINESS AGREEMENT

An attorney should draw up or at least review the business agreement, whether it is an addition of a partner to an existing practice or the complete sale of the practice. This helps protect the parties from misunderstandings. Prior to going to an attorney, all details of the business arrangement should be understood. This document is designed to give a general overview of a business agreement. It is not considered to be comprehensive but tries to alert the reader to some key areas to be aware of. Always consult an attorney when dealing with business agreements.

Existing debts should remain the responsibility of the seller as the buyer will purchase assets of the practice free and clear of all debt. Purchasing assets means all staff will have to be rehired by the new practice. This method is used to reduce any carry over liability or payroll taxes the seller might have incurred.

The sale should be completed through an escrow company or an attorney. States that allow bulk sale transfers protect the buyer from undisclosed liens on the assets being conveyed. The escrow company is responsible for carrying out transfers in accordance with the business agreement, similar to the real estate escrow process.

Specify what type of business structure is desired: sole proprietorship, partnership, corporation, associate/independent contractor relationship, shared overhead, or merger of two existing practices into one entity.

If you are relying on reports or information provided to you by the seller or a broker, include the documentation by reference to become an integral part of the agreement. This will help give you recourse against the seller and broker in case the data is inaccurate.

If the selling doctor will participate in any future activities of the business, the agreement should state in what capacity, for how long, and how they will be compensated.

Specify what is included in the purchase price--furniture & equipment, patient records, inventory, phone numbers, business name, etc.

Make sure there is a valid non-compete clause in the Agreement.

Partial Interest Acquisitions – When there is more than one doctor in ownership, the Agreement should specify how net income will be distributed, including draws and other payments. Options for income allocation can be based on many factors. One of the more equitable and easiest ways is to compensate each owner for days worked (per diem) with remaining income paid each quarter based on ownership percentage. This method provides adequate compensation to each doctor / owner when schedules fluctuate significantly or one owner routinely works fewer days than another.

Other compensation arrangements are more complex such as a percentage of production. A combination of methods can be used. Such as per diem with overage splits based on percentage of production. Whatever arrangement is used, it should be well documented, fair and understandable by all parties. Don't over engineer the agreement as it will cause conflict and potential litigation.

The Agreement should also define non-monetary compensation that will be paid. Specify the amount of time all parties will work in the practice and provisions for variances. Include allocations for vacation and other time off.

It should be understood but not necessarily specified in the Agreement, who has what responsibility: such as management of the staff, inventory purchases, technology, facilities, etc.

Specify options for the termination or exit from the Agreement (including insurance funded buyouts in case of death or long term disability), sale of the practice, options to purchase, and rights of first refusal. Include how price will be evaluated, what will be included in the price.

The Agreement should designate that all owners are included in making major decisions. Major decisions generally include borrowing money in the name of the practice, pledging assets as collateral, material capital expenditures (equipment, real estate, etc.) or the sale of existing or additional ownership interests in the practice.

Good luck in your search for a practice to acquire. We hope these guidelines will assist you in the process.

DOCUMENTATION CHECKLIST

SALE OF AN OPTOMETRY PRACTICE

1. Description of Assets- describe the subject matter of sale, and allocates price to subject matter [equipment, supplies, records, goodwill, covenant not to compete.
2. Terms of Consideration- cash payment and/or financing.
3. Other Items- right to use seller's name, telephone listing, referral sources.
4. Covenant not to Compete- term and boundary [valid under Business and Professions Code Section 16601]
5. Accounts Receivable- who gets them, mechanics for collection-*key clause*- insure buyer's right to retain all income for his/her own production after the sale closes.
6. Retreatment- *Key clause*- automatic mechanism for handling re-work of seller's work so buyer does not lose money and seller does not end up in malpractice suit.
7. Letters of Announcement and Introduction
8. Seller's Warranties Regarding Ownership Debts- *key clause*- provide for indemnification if debts surface after closing.
9. Buyer's Warranties
10. Insurance- *key clause*- seller to retain insured at least three [3] years after sale closes-same for buyer.
11. Custodian of Records- *key clause*- buyer retains all of seller's records. When inactive may send to seller or destroy; buyer should not agree to hold seller's records forever.
12. Hold Harmless/Indemnification- *key clause*- seller responsible for seller's treatment before closing, buy responsible for buyer's treatment after closing; with cross-indemnification.
13. Closing Date and Escrow
14. Contingencies- *key clause*- state what deal is contingent on, i.e. bank loan, assignment of lease, passage of state boards, etc.
15. Arbitration / Attorney's fees
16. Bill of Sale, Promissory Note, Security Agreement, Consent of Spouses.

DOCUMENTATION CHECKLIST

ASSOCIATE / INDEPENDENT CONTRACTOR

The practice owner hires an optometrist to provide professional services to patients of record of the practice owner.

The associate does not obtain ownership interest in the assets of the practice.

1. Form of Agreement
 - a. One written document / signed / dated
2. Relationship of Parties
 - a.. Employee / employer
 - b. Independent contractor / practice owner
3. Terms of Agreement
 - a. Compensation- flat fee / percentage; collections / production
 - b. Benefits
 - c. Job duties
4. Taxes
 - a. Employee- withholding
 - b. Independent Contractor- no withholding
5. Expenses
 - a. Overhead
 - b. Supplies
 - c. Inventory / lab
 - d. Flat cost or production based
6. Ownership Interest
 - a. Patient records- who owns, who can copy, what happens upon termination
 - b. Equipment, supplies, computer data, telephone numbers
7. Income / Production / Collections
 - a. Mechanics / bookkeeping / records / billings
8. Management Duties
 - a. Hire / fire support staff
 - b. Who sets patient schedule
9. Insurance - Malpractice / Office package / Workers Comp / Overhead / Disability
 - a. Insurance costs
 - b. Insurance – cross verification
 - c. Indemnification- cross
10. Termination / Death / Disability / Sale / Option to Purchase / Right of First Refusal

11. Covenant Not to Compete
 - a. Valid for sale of practice / goodwill – Business and Professional Code Section 16600, et seq

12. Anti-Solicitation Clause
 - a. Valid as to separate identified patients
 - b. Mechanics

DOCUMENTATION CHECKLIST

PRACTICE ASSOCIATION AGREEMENT

[Office Sharing Agreement]

An association of two or more practitioners who maintain independent practices pursuant to a shared expense agreement. The parties may share staff; equipment, a shared “identity” to patients but typically each has a separate patient base.

1. Form of Agreement
 - a. Complete written document / signed/ dated
2. Relationship of Parties
 - a. Combine practice – one identity to patients
 - b. Separate practice- separate identities to patients
3. Terms of Agreement
 - a. Compensation – separate tracking of production / collections
 - b. Benefits – combines / separate [insurance]
 - c. Duties / responsibilities of each party
4. Taxes
 - a. Combines or separate
5. Expenses
 - a. Combines / separate
 - b. Shared [rent, inventory, lab, utilities, telephone, computer, postage, some staff]
 - c. Separate [some staff, insurance, promotional]
 - d. Pay via joint operating account or cut separate checks
6. Ownership Interests
 - a. Patient records / computer data- clearly identify and keep separate
 - b. Equipment, supplies, telephone number [consider separate lines]
7. Income / Production / Collections
 - a. Mechanics / bookkeeping / records / billings
8. Management Duties
 - a. Co-equal as to shared staff
 - b. Separate for separate staff
9. Insurance – Malpractice / Office / Workers Comp / Overhead / Disability
 - a. Insurance costs
 - b. Insurance- cross verification
 - c. Indemnification – cross

10. Lease
 - a. Both parties named
11. Termination / Death / Disability / Sale / Option to Purchase / Right of First Refusal
12. Covenant Not to Compete
 - a. Valid for sale of practice / goodwill – Business and Professions Code Section 16600, et seq.
13. Anti-Solicitation Clause
 - a. Valid as to separately identified patients
 - b. Mechanics