

## Valuation Information Needs, Dental Practice



For Questions Regarding this List Contact:  
**BANISTER FINANCIAL, INC.**  
1338 Harding Place, Suite 200, Charlotte, NC 28204  
Web Site: [www.businessvalue.com](http://www.businessvalue.com)

Contact: George B. Hawkins, President, ASA, CFA  
phone: (704) 499-9009 (direct dial) e-mail: [ghawkins@businessvalue.com](mailto:ghawkins@businessvalue.com)

**Note: Please provide information in PDF format (not password protected). We have a secure server to which this information can be uploaded easily from your computer (information encrypted during transmission to our server) and is easier and more secure than by email. Please email the names and email addresses of parties who will have access to submitting or retrieving information from the server and we will establish password protected accounts for them.**

### **Dental Practice (“Practice”):**

### **Valuation Date (Value as of):**

1. Last five years of annual detailed Practice financial statements leading up to the valuation date, including balance sheets, income statements, statement of cash flows, accompanying accountant notes to statements. If multiple offices or branches, provide same for each office/branch. Combined/consolidated financial statements, same periods.
2. Last five years annual Practice federal income tax returns up to the valuation date (including all supporting schedules and attachments).
3. Latest interim and year-to-date financial statements up to the latest month end prior to the valuation date, including detailed balance sheet and income statements, and for the same year-to-date period for the prior year.
4. List of subsidiaries (parent or affiliates) if any, along with relevant financial statements for the last five fiscal years leading up to the valuation date, along with current interim and year-to-date financial statements up to the valuation date.
5. Detailed equipment list and depreciation schedule, as of the latest year-end prior to the valuation date. Also, provide a schedule of any new equipment and other personal property acquired or sold from the latest year-end to the valuation date. Please list each item and the purchase or sale price.
6. Detailed accounts receivable aging of the latest fiscal year-end prior to the valuation date and for the latest month-end prior to the valuation date.
7. Provide the following productivity information for each dentist, hygienist and dental assistant employed by the Practice over each of the last three fiscal years leading up to the valuation date:
  - Annual amount of gross charges for each.
  - Annual dollar amount of collections for each.
8. Details of any dentist compensation formulas and how each dentist's total compensation is calculated. Annual compensation for each dentist, shareholder and officer for each of the last seven fiscal years leading up to the valuation date, including:
  - Salary, bonus, draw compensation paid each dentist by year.
  - All benefits and personal expenses paid.
  - Continuing dental education expenses paid, including travel, lodging and entertainment.

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- Schedule of any deferred compensation.
- Life insurance premiums paid by Practice.
- Car and auto mileage and gas reimbursements arrangements.
- Cars provided by the Practice for the use of any physician.
- Malpractice insurance premiums.
- Pension, profit sharing, 401-K, and other retirement plan contributions.
- Expenses of a personal nature.

Copies of W2s, 1099s for each for those same years.

9. Provide the approximate percentage breakdown of patients by age range as of the valuation date:
- |                             |       |   |
|-----------------------------|-------|---|
| Pediatric (to 15 years old) | _____ | % |
| Young Adult (16 to 39)      | _____ | % |
| Adult (40 to 59)            | _____ | % |
| Senior Citizens (60-on)     | _____ | % |
10. Provide copies of any marketing information used by the Practice as of the valuation date.
11. Copies of existing contracts and any amendments thereto (as of and up to the valuation date) including but not limited to:
- employment agreements, covenants-not-to-compete. • prepaid dental plans.
  - exclusive arrangements with insurance companies. • buy-sell agreements and shareholders agreements. • stock redemption agreements. • loan agreements.
  - employee benefits plans. • revenue or cost sharing agreements. • compensation formula agreements.
  - equipment or real property leases. • premises leases.
  - billing or practice management arrangements or agreements.
  - consulting contracts with third party practice consultants of any kind.
  - all other contracts and agreements of any kind impacting the Practice and/or its employees, officers or shareholders.
12. Copies of any patents, trademarks, or copyrights as of the valuation date.
13. List of stockholders (partners) with number of shares (partnership interests) owned by each as of the valuation date.
14. List of non-physician employees as of the valuation date, with the following information:
- Start date with Practice. • Position. • Annual compensation.
15. Schedule of any life insurance in force as of the valuation date. Life insurance breakdown should include the following for any officers and shareholders (partners) as of the valuation date:
- face amount of policy. • ownership of policy. • beneficiary. • cash value, if any.
  - amount of annual premiums paid by the Practice for each of the last six fiscal years leading up to the valuation date.
16. Copies of articles of incorporation, bylaws, any amendments to either, and corporate minutes. If a partnership, please provide the partnership agreement.
17. Copies of any documents affecting the ownership rights of the interest being valued, as well as copies of any buy-sell, shareholder agreements, stock options, warrants, etc.

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18. Provide a detailed resume on all Practice dentists as of the valuation date, plus the following:
  - Any employment arrangements other than with the Practice at the valuation date.
  - Any mental or physical health problems of any kind that might impair the ability to practice now or the immediate future.
  - Details on any pending or threatened litigation of any kind, including but not limited to malpractice which might impact the Practice or any Practice dentist.
  - Details on any past litigation or malpractice claims.
  - Details on future claims or liabilities to which the dentist or the Practice might become liable, even if not threatened or pending at the current time.
  - The amount of malpractice insurance maintained per dentist. Provide information regarding any intent by malpractice carriers to cancel coverage.
  - Average number of hours worked weekly.
  - Details on any buy-in arrangements.
19. Details on related party transactions of any kind (e.g., rental of real estate or equipment from an officer, shareholder, employee or family member, etc.)
20. Provide:
  - A list of any employer who the Practice believes employs more than 10% of the Practice's patients at the valuation date. Include an estimate of the annual patient revenues for each.
  - A list of any insurance company or other payor who the Practice believes is the payor source for more than 10% of the Practice's patients at the valuation date. Include an estimate of annual patient revenues for each.
21. What approximate percentage of Practice patients are:
  - Covered in whole or in part by dental health insurance.
  - Covered under managed care dental health plans.
  - Covered under Medicaid.
22. List of the Practice's primary competitors at the valuation date.
23. Copies of any existing indicators of asset values, including latest property tax assessments (include copies of county tax bills for Practice real and personal property owned as of the valuation date, or bills as of property as of January 1 preceding the valuation date) and any appraisals that have been prepared including real and personal property appraisals.
24. Copy of an appraisal, as of the valuation date, of any real property owned by the Practice and or owned by related parties and leased to the Practice. Copy of any valuation or appraisal of Practice shares or assets that has ever been prepared.
25. Any contingent or off-balance sheet assets or liabilities of any kind of the Practice whatsoever as of the valuation date, such as (but not limited to):
  - Pending or threatened lawsuits or malpractice claims.
  - Regulatory compliance requirements.
  - Warranty or other product liability.
  - Hazardous waste or other environmental.
  - ERISA claims or problems.
  - OSHA problems.
  - Letter of credit liabilities.
  - Liens or judgments of any kind.
  - Guarantees by the Practice of any obligations
  - IRS liens, payroll, sales or other tax liens- payment status of all of these items.
  - Any off balance-sheet assets or liabilities not showing on the balance sheet of the Practice as of the valuation date.

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- Exposure on self-insurance programs and degree to which reinsurance partially or fully covers the anticipated liability.
  - Exposure under phantom stock ownership plans.
  - Status of any current or past IRS audits.
  - Any judgments of record, or pending judgments.
26. Detailed information on all prior transactions in the stock, interests or assets of the Practice, including the terms, purchase price, security, any written contracts, employment agreements, and other consideration paid.
  27. Detailed information, including copies of the purchase agreements and all related contracts, associated with the original purchase of the Practice or its assets.
  28. Details on any discussions currently or at any time in the past, even if preliminary in nature, regarding any possible purchase or sale of any shares, interest or assets of the Practice, any buy-in arrangements, offers to purchase or sell, etc. Provide copies of any notes or written correspondence relating to these discussions, copies of any offering circulars prepared, etc.
  29. Amounts of any lines of credit available to the Practice at the valuation date by bank, including the total amounts available, the amounts outstanding, security, and guarantees required.
  30. Copies of any consulting studies or valuations of any kind prepared for the Practice or its dentists for any reasons, at any time.
  31. Provide information on factors (actual, pending, anticipated, possible) of any kind that could serve to impact the Practice materially in any way (including but not limited to its financial or operating performance or the value of its shares or assets).
  32. Information on:
    - Any recent, pending or possible future addition or loss of patients, etc., which might materially impact the practice.
    - The recent loss of key employees that might harm the business, whether through a loss of revenues, result in the establishment of a competing practice, or any other material impact on the business
    - Pending or possible acquisitions or purchases of other practices or assets, etc.
    - Pending or possible opening or closing of Practice locations.
    - Any factor of any kind that might have a material impact, positively or negatively, on the Practice's financial or operating performance, or value.
  33. Details on any prior malpractice claims, awards, allegations, and the same for any pending or threatened matters at the valuation date.
  34. Please provide a list of all assets and liabilities that are not used in the day-to-day business. For example, non-operating assets might include marketable securities, cash value of life insurance, investment or excess real estate, assets held for sale or for personal use, cars for personal use or by family members, etc.