

Ask the Broker

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Do we need an escrow in a practice sale?

James T. , DMD

Great Question! My Personal Opinion

is that it is generally a good idea, if not a **MUST!** A professional Title Company at "arm's length" is best suited for the job. Title Companies normally perform all the lien searches, clean up all liens, ensure that the employment taxes and personal property taxes are paid, pro-rate taxes and any pre-paid expenses, then produce the "Bill of Sale". The Title Company also gathers all contractual information, deposits the monies, then wires funds or cuts cashier's checks at the close of sale.

This entire process costs approximately \$1,600 to \$1,800. The cost is split equally between Buyer and Seller. I believe this is a very valuable and worthwhile investment because it ensures a clean transaction for the benefit of both parties. Arguably, this is a great benefit to the Buyer because it guarantees that the Buyer does, in fact, own the asset they just purchased "free and clear" of any liens or encumbrances. It also helps the Seller in a future dispute if there is ever a question whether the Seller had the right to liquidate the asset without paying off other debts.

Oftentimes a Lender will "net fund" a dental practice in the course of a sale, acting as the escrow holder themselves. This can work because the Lender will run the lien searches to make sure that the lender is in first position. However, I have personally been involved in at least three transactions over the last five years where escrow services provided by the lender were not thorough enough to provide proper protection for the Buyer or Seller.

At Western Practice Sales, we take great pride on completing "clean" transactions. If I were a Buyer, I would absolutely insist on a professional Title Company completing the escrow, not the broker or attorney. If an issue does arise, you will have a national Title Company that will endorse their Bill of Sale.

Questions? E-mail wps@succeed.net

Timothy G. Giroux, DDS



is the Owner & Broker at Western Practice Sales and member of the nationally recognized dental organization, ADS Transitions.

A graduate of Creighton University School of Dentistry (1983), he and his wife, Mona Chang, DDS (LLUSD 1984) were in private practice together for 15 years in Scottsdale, AZ, before establishing their home in Northern California.

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