



MCLERRAN + ASSOCIATES
EXPERIENCE DENTAL TRANSITION SUCCESS

Austin: 512-900-7989

Houston: 281-362-1707

San Antonio: 210-737-0100

Email: texas@dentaltransitions.com

Website: www.dentaltransitions.com

PRACTICAL GUIDANCE FOR NAVIGATING THE COVID-19 PANDEMIC

To our clients, friends, and colleagues,

We hope you and your family are staying safe and healthy during this unparalleled time of uncertainty. While these are trying times for all of us, the way we individually and collectively handle this crisis will define our character and shape our lives for years to come. In the truest sense of the words, we are all in this together ... as a community and an industry. In that spirit, we have put together the following newsletter to provide you with some thoughtful guidance for navigating this crisis from both a professional and personal perspective.

Our team at McLerran & Associates is here to help, so please don't hesitate to reach out if we can be of assistance in any way.

Hang in there ... we'll get through this together!

Sincerely,

Brannon Moncrief, Ryan Moncrief, Patrick Johnston
& The McLerran & Associates Team

Take Advantage of Government Assistance Programs

At this point, most dentists and their staff have been furloughed/terminated and filed for unemployment. The CARES Act allows for self-employed individuals to file for unemployment, so our understanding is that both associate doctors and practice owners are now eligible to receive unemployment benefits. Therefore, we encourage all dentists to investigate if they can qualify for unemployment benefits and any potential ramifications associated with doing so (increase in unemployment insurance rates, etc.).

The most significant provision of the CARES Act (as it applies to dental practice owners) is the Paycheck Protection Program (PPP), which provides \$350 Billion in forgivable loans to small businesses. After doing a tremendous amount of research and applying for a PPP loan ourselves, it is our opinion that all dental practice owners should seriously consider this option. While we strongly advise you to confer with your accountant/financial advisor and banker, here are some guidelines/observations to help you navigate the process of applying for a PPP loan:

- **Who is Eligible?** All small businesses with less than 500 employees.
- **Is It Too Late to Apply?** No. Small businesses and sole proprietorships began applying for PPP loans on April 3rd. While a handful of big banks have stopped accepting loan applications and there is concern that the \$350 Billion allocated to the PPP Loan Program will be exhausted relatively quickly, **it is not too late to apply**. Many banks are still accepting PPP Loan Applications and Congress is expected to allocate more funds to the program within the next few days. That said, we encourage you to contact your bank and submit your PPP Loan Application immediately.
- **Where to Apply.** You must apply for a PPP loan through a bank. Based on our research and personal experience, it is best to apply for a PPP loan with a local/regional bank that is a preferred SBA lender. Should you choose to apply with a larger bank, you can expect to be placed into a queue based on when you submitted your application and for the process to move slower due to the enormous amount of loan applications these banks are receiving. Regardless of which bank you choose to utilize to secure your PPP loan, you can expect the bank to require you to establish a banking relationship prior to or immediately following the closing of your PPP loan. We've heard that most banks are processing PPP loans for their existing customers prior to facilitating loans for new customers. Therefore, it may be in your best interest to submit your loan application with a lender that you have a pre-existing relationship with. Our

understanding is that you can also apply for a PPP loan with multiple banks, BUT you can only accept one loan.

- **Information Needed.** The application process is relatively easy, as the PPP Loan Application is short and you should have the documentation needed to accompany your loan application readily on hand (i.e. financials for your business, payroll reports, etc.). Your bank will provide you with a copy of the PPP Loan Application and a list of needed information.
- **Loan Amount.** From our understanding, your loan amount will be calculated based on 2.5 times your monthly payroll for 2019 OR the Trailing 12-Month Period from 3/1/19 to 2/29/20. Assuming you are an employee of your practice, the monthly payroll amount includes W2 wages paid to the business owner. NOTE: Payroll costs are capped at \$100,000 on an annualized basis for each employee.
- **Use of Funds & Loan Forgiveness.** The SBA guidelines state that 100% of the loan amount will be forgiven so long as the loan proceeds are used to cover payroll costs, mortgage interest, rent, and utility costs over the 8-week period following the loan closing AND employee and compensation levels are maintained. **A minimum of 75% of the loan amount must be used for payroll expenses in order for the loan to be forgiven.** We strongly suggest that you fund your PPP loan to a new bank account and pay all payroll, rent, and utility expenses directly from that account during the 8-week period following the loan closing. This strategy will make the accounting and documentation associated with the loan forgiveness process much more straightforward.
- **Timing of the Loan Closing.** As stated above, the loan proceeds must be spent over the 8-week period following your loan closing. Therefore, assuming you have furloughed/terminated your employees, timing of the loan closing is critical. In an ideal world, you would re-hire your employees on the day your office re-opens and utilize the PPP funds to cover your payroll and rent/utilities for the 8-week period thereafter. However, timing your loan closing around your office re-opening can be a little tricky for a couple of reasons: (1) We currently have no idea when dental offices will be allowed to re-open and (2) From what we've heard, you have 5-10 days to sign and close the PPP loan from the date the loan is formally approved by the SBA. If you don't fund the loan within that timeframe, the application is void. The 8-week window for using the PPP loan proceeds begins on the closing date. There has been some confusion as to whether the time line from loan approval to loan closing is flexible. We've heard of some banks telling clients that they can get approved for the PPP loan but defer the loan closing until their office re-opens. However, if the time frame isn't flexible, should you delay applying for your PPP loan until you have a definitive date as to when your office will re-open? What if the funds allocated to the PPP Loan Program are exhausted prior to then? Hopefully, we'll receive some clarity on this issue over the next few days. Again, we strongly suggest that you discuss the issue of timing with your

financial advisor and banker prior to making a decision as to when you should apply for and close your PPP loan.

- **Ever-Changing Guidance from the SBA.** Lenders are receiving additional guidance from the SBA regarding the PPP loan requirements and provisions on a daily basis. Therefore, we encourage you to stay in close communication with your accountant/financial advisor and banker to ensure that you understand all of the loan terms and conditions prior to closing.
- **Other Options.** There are other options available to you outside of the PPP Loan Program, including the Economic Injury Disaster Loan (EIDL) Program, tapping into your personal savings or a business line of credit, and/or utilizing employment benefits to supplement your income during the shutdown. Not to mention the fact that Congress announced that they are working on Phase 4 of the CARES Act, which could include additional government assistance programs for small businesses. We highly recommend that you consider all available options prior to making a decision on which path is best for you and your business.

Protect Your Practice Value

- We have received numerous calls from sellers asking how the Coronavirus pandemic and shutdown will impact the timing of a sale, buyer demand, and practice values. We are hoping that dental offices re-open sometime in May and demand for dental services increases immediately as patients begin returning to work and their daily routines. In that scenario, practices should be back to “business as usual” relatively quickly and a substantial rebound should be realized by mid-summer.. Assuming that is the case, we are planning to look at the pandemic and resulting shutdown of dental offices as an anomaly and exclude the performance of the practice during the mandatory hiatus from future practice valuations. Therefore, we expect this event to have very little (if any) impact on practice values moving forward. Any minimal impact that is felt should completely recede by the end of 2020.
- To help accomplish our goal of excluding the financial performance of the practice during the COVID-19 shutdown in future practice valuations, we encourage all practice owners to create a separate expense category in your bookkeeping software for COVID-19 overhead expenses. By classifying all overhead expenses during your office closure under this category, we can easily separate the financial performance of the practice in the months you are

shutdown from the months where the practice was healthy and fully operational.

- If you are planning to sell your practice in the near future or are currently in the process of selling ... DON'T PANIC ... STAY THE COURSE. Buyers have continued to inquire about our practice listings even during the shutdown. Therefore, we expect there to be plenty of demand for quality practice acquisition opportunities from both private buyers and DSO/Private Equity buyers when this storm passes.
- If you weren't planning to sell your practice in the near future ... DON'T PANIC ... STAY THE COURSE. We've recently seen a handful of unprofessional brokers pitching a doom and gloom scenario (i.e. "Sell Now Or Else") in an attempt to convince practice owners to panic and sell their offices prior to the apocalypse. While the market may be slightly more challenging to navigate in the immediate future, people who do this type of marketing are not professionals and should not be trusted. Don't let someone convince you to sell your practice prematurely by leading you to believe that the sky is falling.
- If you have not already done so, reach out to all of your active patients via email, social media, and your website to let them know they are in your thoughts and prayers and that you are looking forward to seeing them once this crisis is over. Once you have a definitive date for re-opening of your office, communicate the good news to your patients and promote any additional precautions you are taking to protect your patients.
- Be proactive in rescheduling all appointments that were canceled as a result of your office closure. Consider having one of your front office people return to work a couple of weeks before re-opening to work the phones, re-appoint patients, and confirm all upcoming appointments. Controlling this narrative will be the key to your office getting back on its feet quickly. If necessary, provide your team with a script to ensure the messaging to patients is sincere and consistent. You may also want to consider expanding your operating hours following the re-opening of your office to accommodate re-scheduled appointments.

- **Consider consolidating and refinancing practice debt** – Lenders are currently offering practice owners the ability to consolidate/refinance their practice debt over 10 years at fixed interest rates of under 4%. This could significantly lower your monthly loan payment and provide you with immediate cash flow (in the form of monthly savings on your loan payments OR pulling equity out of your practice) to replenish your personal savings, utilize as working capital, or fund office improvements, equipment purchases, marketing, etc. **Please call or email McLerran & Associates if you would like to receive a referral to a lender that can help with your refinance.**
- **Regulation & Compliance.** The ongoing presence of Coronavirus in our society may lead to new guidelines for health care workers, including the requirement of Personal Protective Equipment and additional measures for sterilization and infection control. We encourage you stay up to date on any new requirements which may be recommended or mandated by federal, state, and local agencies (OSHA, CDC, ADA, etc.). **Per the Academy of General Dentistry, you** can order KN-95 respirator ear-loop masks (FDA certified) and 15-minute serology COVID-19 antibody tests (FDA certified) through AGDVANTAGE provider Dental Health Products, Inc. (DHPI). To learn more or place an order, visit www.dhponline.com or call 1-800-626-2163. Supplies will be available in late April, so contact DHPI now to reserve your order. Be sure to mention your account #, or if you have not signed up with AGDVANTAGE, mention your AGD member # to set up an account. There is no AGD discount available for these PPE products.
- **Lean on Your Network of Service Providers.** All of the service providers that you rely on in your daily operations are in the process of figuring out how to limit their losses associated with the dental industry shutdown. Client retention is paramount. Many companies are offering deferred or reduced payments to help business owners temporarily reduce overhead. Rather than cancel key services that may be critical to the success of your practice (patient communication systems, marketing, IT support, supply vendors, etc.), reach out to your sales reps. to see if they can provide you with a helping hand and help fulfill any PPE needs that your office may have. They may also have suggestions on how to go about navigating some of the challenges you are dealing with during the closure or may be faced with upon re-opening your office.
- **Office Improvement Projects.** Does your office need a deep clean? Is it time to organize your inventory & supplies? Are there office improvements (i.e.

updating décor, tipaint, tiflooring, tilandscaping, tietc.)tithattiyouthavetibeenti
puting off?titiNowtiistiatigreattitimetitotiknocktiouttithesetiprojects.

Get Your Personal Finances In Order

- **If Necessary, Ask For Help.** Most banks have mobilized to provide their borrowers with relief options during the COVID-19 pandemic, including allowing for deferment (preferred) or forbearance of loan payments. Contact your mortgage lender, student loan lender, and other creditors to ask for help if you are experiencing cash flow issues.
- **It's Time to Get Lean & Mean.** There is no better time than NOW to think about eliminating personal expenses that you can live without. Can you brew your own coffee rather than going to Starbucks? Can you take your lunch to work a few days/week rather than eating out every day? Have a gym membership (or two) that you aren't using regularly?
- **Establish Personal Financial Goals.** It's healthy to set goals in life, especially when it comes to your personal finances. Make sure your financial goals are clear and attainable. How much can you commit to saving this year? How much do you plan to contribute to your retirement account? What changes or sacrifices do you need to make to accomplish your goals?
- **Develop a Monthly Budget.** If you have not been doing so in the past, it's time to start tracking your spending and living within your means. Maintaining a monthly budget holds you accountable to achieving your financial goals and provides you with the context needed to make changes to your behavior to curb spending and start saving.
- **Construct a Personal Financial Statement.** Maintaining a Personal Financial Statement on a monthly basis allows you to have a handle on your finances and encourages you to develop a habit of paying off debt and saving money.
- **Develop a Habit of Saving Money.** Now more than ever, this advice holds true: You should have a safety net of 6 months of personal expenses and 3 months of business

expenses in the bank at all times.

- **Consider Refinancing Your Mortgages.** If you haven't already done so, it's an excellent time to consider refinancing the mortgage on your personal residence and any investment properties. Home mortgage rates recently hit an all-time low. We've seen 15-year fixed rates as low as 2.5% and 30-year fixed rates as low as 3%. Interest rates for investment properties and commercial real estate have also followed suit.
- **Prepare Your 2019 Tax Return Information.** You must do it eventually, so why not use this downtime to prepare the information you will need to file your 2019 Personal & Practice Tax Returns and send the information to your accountant. This will give you one less thing to deal with when we return to our hectic lives.

Stay Connected, Stay Busy, Stay Healthy.

- **Stay Connected With Friends & Family.** As humans, much of our happiness is derived from developing close connections with other people. While social distancing keeps us physically apart, we can still stay connected to our loved ones. Most of us have a lot of free time on our hands and would welcome a phone call from a friend, family member, or neighbor. FaceTime some old friends that you've been meaning to catch up with. Check out an app called House Party, which allows you to play games on your phone during a FaceTime chat. Host a happy hour for your friends on Zoom. Reach out, stay connected!
- **Check on Your Neighbors.** Check-in with your neighbors to see how they are doing, especially those who are at most risk of developing severe complications from Coronavirus (the elderly and people with pre-existing medical conditions). Is there anyone looking out for them? Do they need anything?
- **Exercise.** Physical activity is one of the best ways to relieve stress and maintain a strong immune system. Outside is not closed! Go for a walk, run, or bike ride around your neighborhood, wash your car, do some yard work or gardening, just get outside and get moving.

- **Cook.** Cooking is a lifelong skill that everyone should aspire to master. It's also an outlet for creativity and is relaxing/therapeutic for many people. If you already know how to cook, this is the perfect time to put your chef skills to work. Your family will appreciate it. If you don't know how to cook, there's no better time to learn than now. In urban areas, some local restaurants have set up programs to deliver raw ingredients to your front door (or curbside) and host online courses to show you how to cook dishes from their menus. Here's a link to some of the most popular cooking shows on YouTube: www.thrillist.com/entertainment/nation/best-youtube-cooking-channels.
- **Eat Healthily.** Your diet plays a major role in your mood and the strength of your immune system. Many people deal with stress by eating. Stock your house with healthy snacks and avoid consuming processed foods and those with high sugar or sodium content.
- **Drink in Moderation.** Many people have turned to alcohol to cope with the extreme worry and isolation that this pandemic has forced upon us, evidenced by the fact that alcohol sales are up 60% since "shelter in place" orders went into effect. Be careful about the habits you develop in quarantine, as they could stick with you after this storm clears.
- **Read.** Reading is an awesome way to escape your physical surroundings and learn something. This link contains an awesome list of books about business: www.businessinsider.com/influential-business-books. Here's a link to the current New York Times Bestseller List: www.nytimes.com/books/best-sellers.
- **Rest.** Many of us lead very hectic lives and haven't carved out a significant amount of time for a vacation or rest in years. Use this time as a "staycation" to recharge your batteries and prepare for the next phase of your life.
- **Explore the World from the Comfort of Your Couch.** Whether you want to tour some of the world's most famous museums (www.travelandleisure.com/attractions/museums-galleries/museums-with-virtual-tours) OR visit the 7 Wonders of the World (www.departures.com/travel/wonders-of-the-world-virtual-tours), the internet has you covered.

- **Don't Watch Too Much News.** – The news tends to be extremely negative and bad for your mental health. Be mindful of the source of your news and limit your consumption to no more than 1 hour per day.

Austin: 512-900-7989
Email: texas@dentaltransitions.com

Houston: 281-362-1707

San Antonio: 210-737-0100
Website: www.dentaltransitions.com

Copyright © 2020 McLerran & Associates, All rights reserved.

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).

