

COVID-19 & DENTISTRY

Negotiating Your Rent & Operating Cost Obligations

Hosted by Gary Severance, DDS, Executive Leader of Professional Relations, Henry Schein



Speaker
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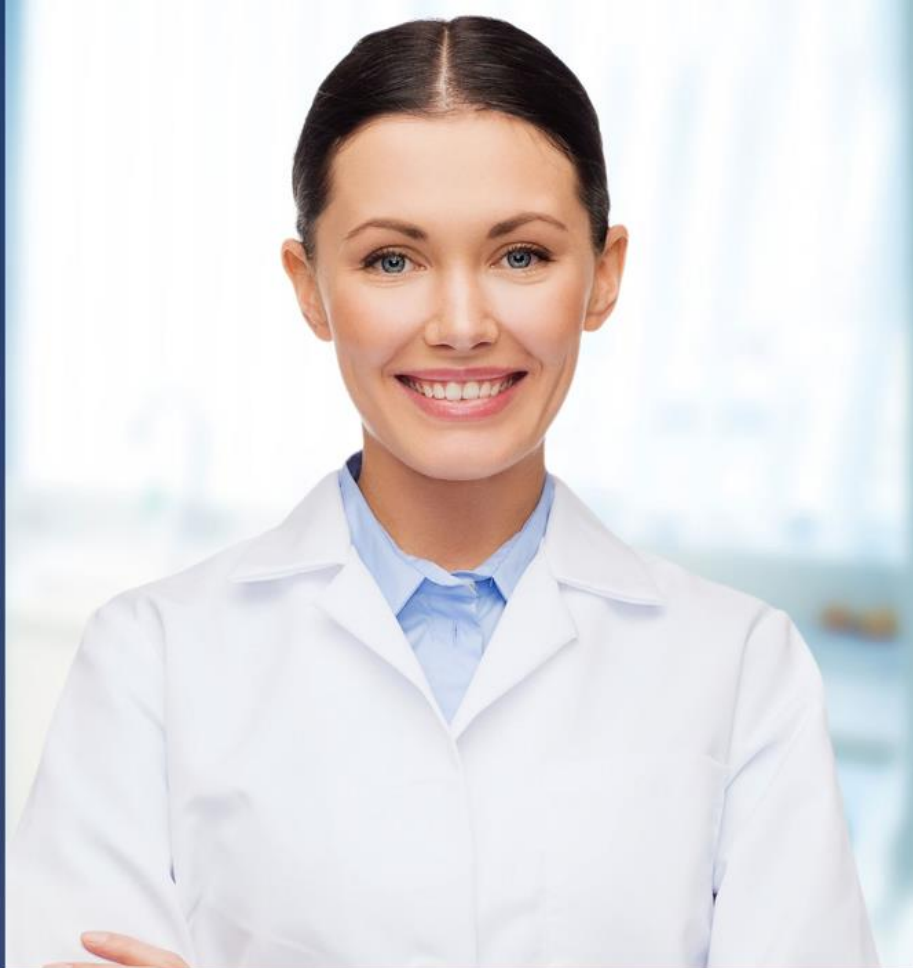


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About Cirrus

- Healthcare and Dental specialized Tenant Representation Firm
- Founded by dentists, for dentists in 1994
- Over 12,000 leases negotiated.
- In house legal, leasing and consulting departments
- Annually, we represent 500(+) doctors throughout North America
- We deliver 100(+) Continuing Education (CE) accredited seminars annually
- We lecture at most of the major dental conventions, such as:
 - Greater New York Dental Meeting
 - Pacific Dental Conference
 - Yankee Dental Conference
 - California Dental Association





85

54

80



85%

of dentists have a lease that can prevent them from ever selling their practice.

54%

of dentists across North America are overpaying in rent for their practice.

80%

of landlords structure the lease to give them a **right to at least 50% of the proceeds** when a practice is sold.

Rent & Operating Cost Obligations: How to Survive and Thrive

- Current Economic Climate
- 4 Critical Business Impact Lease Considerations
- Cash Flow Management: Payroll & Rent
 - The Office Lease – What to Look out for (Financial & Non-Financial)
- Landlord Negotiation Strategies
- Unprecedented Opportunity for New Leases



Current Economic Climate

- COVID-19
- The Impact to the Global Economy
- The Impact To Dentistry

LEASE AGREEMENT

4 Critical Business Impact Considerations

1. Lease Terms:

- A. When does your lease expire?
- B. Are there options to renew?
- C. Who is the Tenant? (your Corporation or you personally?)

2. Monthly Financial Obligations

- A. Are you a Gross or Triple Net (NNN) Tenant?
- B. What is your base rent and additional rent obligations?
 - i. Total payment to the landlord that must be paid.
- C. What is rentable vs. usable square footage of your space?

**Not sure? Email us a copy of
your lease now:
info@cirrusconsultinggroup.com**

4 Critical Business Impact Considerations

3. Default

- A. What are the default provisions?
- B. If in default:
 - i. Does the landlord have to notify you?
Do you have a cure / remedy period?
- C. Are there options to renew?
- D. Landlord termination right?

Not sure? Email us a copy of your lease now:
info@cirrusconsultinggroup.com

4. General Terms and Conditions?

- A. Personal Guarantee
- B. Exclusivity
- C. Non-disturbance and subordination
- D. Assignment (your ability to sell or transfer)

What is a lease?

THIS MULTI-TONE AREA OF THE DOCUMENT CHANGES COLOR GRADUALLY AND EVENLY FROM DARK TO LIGHT WITH DARKER AREAS BOTH TOP AND BOTTOM.

Bank of America
BANK OF AMERICA, N.A.
125 DUPONT DRIVE
RII-121-01-30
PROVIDENCE, RI 02907
888-550-6433

A/P EXPENSE
CHECK NO.
00124520
64-1278,611

PAY EIGHT THOUSAND SEVEN HUNDRED SEVENTEEN DOLLARS FIFTY CENTS
DATE 11/18/11
CHECK AMOUNT *****8,717.50

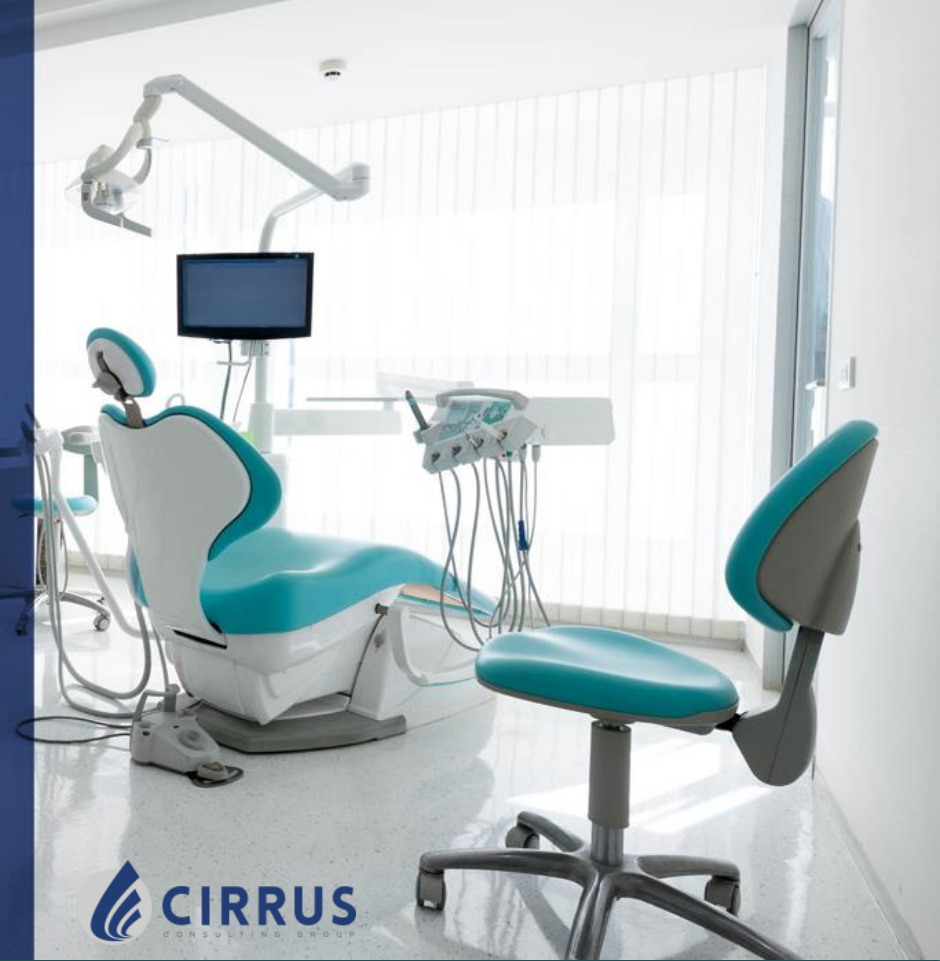
TO THE ORDER OF
SHUSTER & SABEN LLC
540 N HARBOR CITY BLVD
MELBOURNE FL 32935

Heidi R. Spitzer
AUTHORIZED SIGNATURE

31-08-1113B 6-2009

Why is the office lease so important during COVID-19?

- Your office location is the foundation of your practice
- Failure to pay could be catastrophic
- Investment/cost to build
- Very difficult, expensive, and time consuming to move
- Practice sale
- Gives you leverage





What should the office lease do?

- Provide fair and affordable financial terms
- Long term stability and security
- Minimize risk and exposure
- Maximize your flexibility
- Enhance your ability to (eventually) sell your practice

Cash Flow Management

- Payroll & Rent
- Lease Obligations
 - Financial:
 - Base Rent
 - CAM Fees: (Operating Expenses/NNN)
 - Unpaid Tenant Improvement Allowance (T.I.A.)

Cash Flow Management

- **Lease Obligations: Financial**
 - **Default Provisions:**
 - Don't stop paying rent! Non-Payment may trigger:
 - Multiple Months of Accelerated Rent
 - Larger Deposit
 - A Loss of Benefits (Exclusivity, Options to Renew, etc.).
 - Financial Statements
 - An Inability to Assign
 - Landlord Termination Rights

Cash Flow Management

- **Lease Obligations: Non-Financial**
 - **Force Majeure**
 - It is an “*unforeseeable circumstances that prevent someone from fulfilling a contract.*” ~Google Dictionary
 - Examples
 - Describes the Potentially Relief of the Performance of the Lease
 - *Most FM Provisions Require the Tenant to Continue to Pay all Rent and Additional Rent
 - **Usually only Landlord Friendly**
 - **Interesting Global Legal Discussions Currently**

What to look out for

TERM OF LEASE

The term of this lease shall be from _____, and the tenant shall pay _____ per month. Extensions must be made _____ of an intent to _____

Other Critical Business Impacting Clauses

- **Assignment**
- **Demolition**
- **Relocation**
- **Death & Disability**
- **Insurance**
- **Surrender**
- **Damage & Destruction**
- **Recordation**
- **Overholding**
- **Personal Guarantees**
- **Operating Costs Charge-backs**
- **Expropriation**
- **Vacancy**
- **Responsibility of Lessor**
- **Continuous Operation**
- **Quiet Enjoyment**
- **Improvements & Alterations**
- **Rules & Regulations**
- **Subordination**
- **Non-Disturbance**
- **Exclusivity Provision**
- **Exclusion of Liability**
- **Reasonability**
- **Compliance**
- **Termination Rights**
- **Inspection & Repair**
- **Financial Statements**

Option to Renew (*Found in 90% of leases*)

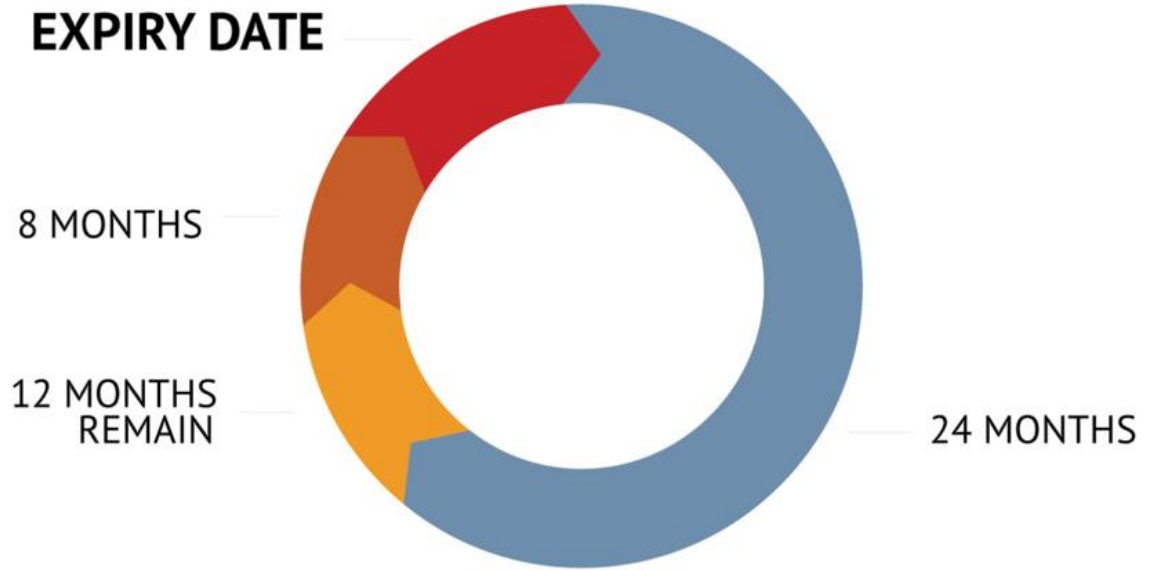
Provided that Dr. Joe Black shall remain as the Tenant and if the Tenant duly and has regularly paid its rent and has performed its covenants and obligations under this Lease and has not been in Default, it shall have the option to renew this Lease for a further term of five years exercisable by written notice to the Landlord no less than nine (9) months prior to the end of Term. Any such renewal shall be on the Landlord's then current standard form lease at a minimum rent to be determined between Landlord and Tenant, but in no event shall it be less than the rent paid in the last year of the original Term. If the Landlord and Tenant are unable to agree on the market rent within sixty days of the exercise by the Tenant of its option to renew, the Rent shall then be determined by arbitration *based on the market rent for renewing tenants in the building.*

Assignment (Found in 75% of dental leases)

If the Tenant should wish to assign or sublet the Leased Premises, *it shall first have received the consent of the Landlord*. Any request for such consent shall be in writing. Within fifteen (15) days following the receipt by the Landlord of such request for consent, *the Landlord shall have the option to: (1) approve Tenant's request to assign the Lease or sublet the Premises; (2) decline tenant's request to assign the Lease or sublet the Premises, and/or (3) to terminate the lease agreement upon the effective date of such proposed lease assignment or sublet*. Additionally, should the Landlord consent to an assignment or sublet of the Premises, *Landlord shall have the right to revise the Minimum Rent to be paid during the remainder of the Term to the greater of the then current market rent for the Leased Premises or fifteen percent (15%) greater than the then current rent*. Furthermore, *should Tenant receive from the assignee or subtenant any rental income, cash, goods, or any form of consideration in connection with the assignment of this lease or sublet of the premises that is over and above the current base rental rates payable to Landlord in any fiscal year during the term of this lease, the difference between the annual rental rate and such rental income, cash, goods, or other consideration shall be paid to Landlord directly within thirty (30) days of Tenant's receipt thereof*. Notwithstanding the Landlord's consent to any assignment or subletting, the Tenant shall not be released from its obligations under the Lease and shall remain liable for any failure of the Tenant or its assignees or subtenants to observe each and every covenant of the Lease.

TENANT LEASE CYCLE

EXPIRY DATE



NUMBER OF MONTHS TO TENANT LEASE EXPIRATION

Landlord Negotiation Strategies

- When does your lease expire?
- What we ask for:
 - Rent relief / Deferral
 - Additional rent
- What do I do?
 - Take action now!
 - Have your lease professionally reviewed

Unprecedented Opportunity

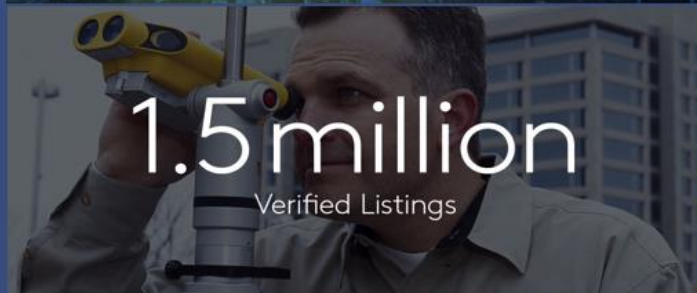
Lease Renewals

1. Long term lease renewals
2. Resetting financials

New Starts – Incredible Deals

1. Financing – lowest of our lifetime
2. Equipment / Supplies
3. Landlords – desperate to fill vacancies

Who is your commercial real estate intelligence partner?



Strategies & tactics for winning lease negotiations

(The Cirrus process for winning lease negotiations)



Critical Dates & Risk Analysis

 Source: London - Ben Shag
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416-461-3413 (in US: 1-877-660-7667) or
www.cirrusdentalgroup.com
ben@cirrusdental.com

The First Step to a Better Lease Agreement!

You CAN improve your lease agreement during your upcoming renewal. Complete this form and send us your lease. Cirrus' lease experts will carefully analyze YOUR lease and will complete Step 1 of the process for you.

Our analysis includes the following:

- We will review your lease and uncover the hidden risks and traps.
- We will ask you about your short & long term plans for your career and business.
- We will review the results of your lease assessment with you.
- We will explain to you how to effectively negotiate with your landlord to get the changes you require.
- We will outline for you what your lease should do in order to accommodate your personal transition plans.

Just like a doctor must actually see and examine a patient in order to offer the right treatment plan, the lease assessment reviews your office lease, and then outlines the risks that could negatively affect you personally and your business' future. It will also outline important dates in your lease that you should be aware of.

Insights and strategies to save you thousands! The cost of this analysis is regularly \$995.00, plus applicable taxes. Tonight this Critical Dates and Risk Assessment is **\$595.00 plus applicable taxes.**

Client Information

Date: Age:

Name:

Contact person (if other than you):

Address:

City: Province: Postal Code:

Mobile Phone: Office Phone:

Email:

Lease Expiry Date: Square Footage: ☒ Lease Included

Payment Information

☒ \$595 plus applicable taxes ☒ VISA ☒ MasterCard ☒ American Express ☒ Discover

For your convenience we accept: 

Credit Card #: Expiration Date:

Cardholder Signature: Security Code:

The Client hereby authorizes Cirrus to charge the given credit card monthly for these fees as they become due under this Agreement.

Terms and Conditions

Upon signing this CDA contract, the Client shall have 72 hrs to cancel this agreement (3 business days). Such cancellation is required by calling the Dental Practice (calling Cirrus at 416-461-3413 x 2248) and in writing. The notice must include your Name, Address and reason for cancellation and be sent to: ben@cirrusdental.com. If no such notice is received during this cancellation period, your credit card will be charged as authorized above and we will proceed with the service.

100% Money Back Guarantee If You Are Not Satisfied

- ✓ **\$1,495 Value**
- ✓ **We spend 3-4 hours analyzing your lease for traps**
- ✓ **We then get on a scheduled call to cover:**
 - You and your vision/plan
 - The traps we uncovered and what they mean to you
 - What the “ideal” lease should look like for you
 - How to negotiate effectively; a tactical plan

Schedule your COMPLIMENTARY Cirrus Lease Consultation

Eric Pook

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Thank You!

Have topics you'd like us to cover relating to COVID-19 & Dentistry?

- **Email:** webinars@henryschein.com
- **Comment on YouTube Recording – and Subscribe!**

For more information and a full list of references, please visit the Henry Schein COVID-19 resource center:

www.henryschein.com/COVID19update