



## The Associate-to-Owner Transition Agreement

This agreement contemplates a practice transition where the new dentist joins the practice with the objective of becoming a co-owner of the practice. The joining dentist initially works in the practice as an Associate, and after a certain period of time, most commonly two years, the dentist acquires an ownership interest and continues practicing in a cost-sharing arrangement. It is important that the parties agree to the major terms of the Associate, purchase and cost-sharing arrangement prior to the new dentist joining the practice. This will eliminate the need for future negotiations, eliminate misunderstandings, and increase greatly the chances that the contemplated practice transition is implemented successfully.

There are a number of options to document the proposed transition. The dentist can prepare a standard Associate Agreement and a separate Letter of Intent, which describes the terms of the purchase and the cost-sharing arrangement. Alternatively, you can prepare this all-inclusive document, which deals with all the major facets of the transition.

The arrangement should be in writing and completed prior to the Associate commencing work in the practice. A written agreement forces the parties to consider all elements of the ensuing relationship. It underscores the importance of the relationship, minimizes misunderstandings, and avoids future disagreements.

Here are some of the basic provisions to be included in the agreement. The sample clauses shown here are for illustration purposes only. Do not use these samples without engaging a lawyer. Resist the urge to save a few dollars by drafting your own agreement because it may not be worth the paper it is written on. A well-crafted legal agreement is like an insurance policy, as it facilitates the process to resolve potential future disputes without having to resort to legal action.

### 1. The Relationship between the Parties

The relationship between the Principal and the Associate in a dental practice is most commonly an “independent contractor” relationship. In some specialty practices, such as orthodontics or oral surgery, where the parties work on common clients, the Associate is often an employee of the practice and earns a fixed salary.