

## BEWARE THE ONE STOP SHOP & THOSE THAT DISCOURAGE INDEPENDENT ADVICE

by Patrick J. Wood, Esq. and Jason P. Wood, Esq.

As a relatively new dentist seeking to achieve your cherished goal of owning your own dental practice, you will run into a plethora of people in our industry claiming to have special expertise in finding you the right practice. Avoid companies who claim to be all-inclusive, and avoid companies who discourage the use of other professional advisors. It will save you time, money, headaches and possibly even protracted litigation from members of our profession. Some of you may have come across companies who claim to be a “one-stop shop” for a selling or purchasing dentist. These companies claim to have all of the professional help you need and hold themselves out as the “experts” in the dental field. Some of these companies have even gone to great lengths to discourage the use of other advisors (attorneys, accountants, practice consultants, etc.) in connection with transition-related services they may provide. Our firm has represented more than 4,500 dentists in the last thirty years and we can confidently say this: 1) we have yet to come across a company that can adequately provide professional expert advice of every facet of a dental practice transition and, 2) any firm, company or business which discourages other professional advisors from being involved with a transaction does so to the detriment of both parties. The real harm is that these same companies get away with it all over the country because, quite honestly, the dentist doesn’t understand the issues to watch out for and usually falls prey to the companies “doom and gloom” scenarios of using professional advisors for transition related services. Here are a few quick points to watch out for when using companies for transition-related phases of your dental career:

1. Avoid the one-stop shop. There are many companies throughout the nation which profess to be able to handle all of the transition-related issues you will face. Generally these companies use a “form” document to cover the entire country and then claim that their company’s professionals have spent thousands of hours perfecting the document or they have perfected the “proper” formula to determine the purchase price for the dental practice, and therefore you don’t need to hire advisors to inspect the document or the dental practice. Unfortunately for the dentists involved, two masters cannot be served equally. Such companies also often claim to represent both parties in the transaction. Besides the smug declaration, this claim is preposterous. One of the dentists will be penalized for such dual representation. There are too many areas of a properly drafted dental practice purchase agreement where the seller and the buyer are diametrically opposed to each other which prohibit “dual” representation from occurring.
2. Avoid companies which discourage the use of advisors. Companies who seek to exclude other professionals from inspecting the dental practice and representing dentists in connection with the proposed transaction do it for two reasons. One, they are afraid that outside advisors may “kill the deal”. Our response: advisors who center their business around representing dentists do not “kill deals”, however, they do review closely the proposed transaction, and, as a result of their unique knowledge, know what may be potential problems for their clients and advise them accordingly. There are very few professionals who primarily

represent dentists we have worked with over the years who “kill deals”. Oftentimes when a transaction has not closed, there were numerous issues associated with the proposed transaction that gave multiple advisors reason for concern. The other issue we sometimes see is that the company pretends to act as a dual agent in an attempt to extract more money from the transaction by charging a “representation fee” to the buyer. The company then acts as a liaison between the buyer and the seller. Any dentist who agrees to such a proposition is throwing away money. This buyer representation fee is a fee to “get you into the deal”; it does not pay for true advice.

We understand that this article might seem self-serving since we are a law firm specializing in representing dentists nationwide in their business transition matters, but unfortunately, we have seen an immense increase throughout the country of dentists’ being taken advantage of by companies who discourage the use of other professional advisors or who claim to be an “all-inclusive” company that can handle all of the issues associated with dental transition issues. A problem where most dentists go wrong is they believe any professional will do. Any broker can sell their dental practice, any lender can give them a good rate, any attorney can represent them during the transition process, any accountant can review the books and records of a dental practice, etc. However, this is not the case, and you need to retain professional advisors skilled in each area. The companies that urge you not to use advisors will utilize scare tactics and strong arm negotiation to encourage dentists to avoid the use of other dental transition professionals. Some of the following might sound familiar:

“Why use an accountant to review the books and records? They will only tell you not to buy it because they don’t understand the industry.”

“Practice consultants? They are only going to give you the same information I have already provided you, so why waste your money?”

“Why spend your hard earned money for an attorney to review the document? This document has been used for years by our company. The attorney will only mess up the deal.”

“You shouldn’t use that lender, they won’t approve this deal (read: they won’t pay me points).”

If any of the above sounds familiar. . .run. Our law firm participates in approximately 175 dental practice purchases/sales a year and usually the only times we run into problems with transactions are for sale by owner transactions, unscrupulous brokers and companies mentioned above. We encourage you to utilize professionals who have a profound knowledge of this industry but beware of those companies and individuals who seek to prey upon you.

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