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SH!T DENTISTS SHOULD KNOW

A Legal and Business Guide for Dentists

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DISCLAIMER

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PART 1

What Is This Book About?

This book is about dental practice ownership from the perspective of an attorney and entrepreneur. Throughout the book, I will share my thoughts, opinions, and experiences in this industry as a strategic advisor to private practice dentists from their first practice (whether by acquisition or de novo) through expansion and retirement. Over the past decade, I have interacted with this industry from various perspectives: as a litigation attorney prosecuting and defending against libel and slander claims between dentists; as a banker financing asset purchases, partnership deals, and real estate acquisitions; and as a strategic advisor structuring deals, assembling teams, and helping individuals and organizations grow.

Practice ownership is a vast topic. I could not possibly hope to cover everything under the sun. As mentioned above, this book will focus on legal and business strategies for dentists during the various seasons of their careers. Spring dentists should focus on the chapters discussing the path to practice ownership; summer dentists should focus on growth, partnership, development, sales, and relocations; and fall dentists should focus on sales and DSO transactions. Of course, reviewing the book in totality can't hurt!

This book is split into parts and will be released as an e-book over time to accelerate the delivery of its contents. I aim to release a fully completed, revised version in print. Wish me luck.

How Is This Book Structured?

Part One is the introduction. Naturally. It is worth reading because it contains tips, information, book references that inspired this book, and stories that ground the principles discussed.

Part Two examines the road to practice ownership. It discusses issues like student debt, loan forbearance, obtaining bank financing, finding a practice to acquire or a location to start a practice, due diligence, opportunity costs, analyzing opportunities, and the hiring, evaluation, and use of professional attorneys, consultants, and accountants to close the deal.

Part Three addresses issues relevant to the owners during their careers' summer and fall seasons. It will provide an overview of litigation, financial education, financing and refinancing issues, landlord negotiations, disputes, relocations, and sales preparation. Part Three will review regulatory compliance, human resources, and other general matters relating to practice ownership.

Part Four details the transition process for Sellers. It covers preparation, strategy, positioning, hiring professional advisors and brokers, real estate matters, identifying and qualifying buyers, and closing the transaction. Part Four will further cover the significant differences between selling to a clinician, a group of clinicians, and a private equity-backed dental service organization (DSO). This part of the book is critically important for anyone considering a practice sale or transition.

Part Five discusses partnerships, buy-ins, buy-outs, and multi-owner practices. Partnering up can present incredible opportunities but intractable challenges as well.

Practice ownership is an enormous topic. That's right, I said it again. Even if you are an experienced clinician, consider imagining yourself at the peak of the chart below to stay humble and motivated to learn new things. I certainly do.



Lawyerly ribbing aside, after some time in an industry or role, it is easy to believe we know it all. Even in this particular niche industry I continue to learn things daily. Be advised that the “things” I refer to are not legal principles. That would be scary.

I sincerely hope you find this book helpful, inspiring, and informative.

Why Read This Book?

Clinicians need affordable, sophisticated, strategic advice. During dental school, clinicians are instructed and trained to deliver clinical care to patients with an almost singular focus. This focus benefits patient care and health outcomes, but the clinicians’ business acumen suffers. The legal profession shares a similar ailment. As a result, many are stuck without a roadmap to professional development and economic growth or a mentor with whom to speak about how to crack the egg of financial success.

As a healthcare professional, your community is likely composed of other healthcare professionals, not business professionals. And when I refer to business professionals, I speak of entrepreneurs, businesspeople, financial professionals, and attorneys focused on generating income for themselves, their businesses, and their clients. Access to these networks is invaluable.

Some reading this book may believe advice and mentorship are unnecessary because they see their “similarly situated” colleagues rising rapidly in the business community. Or they are

naïve. Or they have enough money to meet their financial needs. Or all of the above. Achieving success or being surrounded by success is a double-edged sword. On the one edge, success can be motivating. On the other edge, it can be misleading. For some time, I believed others were simply better at business or were merely lucky. While this may be true in certain situations, business success is also based on receiving good advice and acting at the right time. And when we dig into many success stories, we may find that those who achieved early or fantastic success in business had advantages afforded by family members, mentors, or their community.

Consider these folks' early exposure to great advice: (1) Warren Buffet's father was a stockbroker, a member of the U.S. House of Representatives, and an investor; (2) Sir Richard Branson's mother was an entrepreneur; (3) Steve Thorne came from a family of dentists; (4) Evan Spiegel's father is a senior equity partner at Munger Tolles & Olson; and (5) Bill Gates's father was a co-founder of the law firm now named K&L Gates. (Note: I am not endorsing any of these individuals or their companies.)

Do not misconstrue the previous examples to mean that you must come from a business family or have wealthy friends. While it helps accelerate economic growth, many principles and information can be learned throughout your career to maximize your opportunities and minimize wasted time and effort.

Today, we are lucky because we have almost infinite information. Previously, the secret sauce was locked inside families, networks, and universities. Now, we have nearly unlimited access to helpful information through books, media, websites, authors, influencers, and podcast hosts. Ironically, our new problem is finding good, reliable sources of information. Today we are presented with much of the same recycled information, and tomorrow we may be confronted

with inaccurate, voluminous, artificially intelligent advice—hard pass. Seek out the best information and support you can find.

Why Did I Write This Book? Why Do I Support Clinicians?

I wrote this book and pursued a career supporting clinicians because it is natural for me. I grew up with an entrepreneur's mindset but little guidance or mentorship on pursuing this interest—or even understanding what being an entrepreneur meant. My father is a private practice neurosurgeon in Reno, Nevada. I grew up around his practice and slowly learned the nuances of his business, including specialization, management, marketing, adding and shedding partners, and otherwise growing a thriving practice in a smaller town. As my father's interest primarily focused on delivering high-quality clinical care and mine centers on law, business, and finance, I have been his unlicensed counsel since I was 18 and his licensed counsel since I passed the California Bar Examination in 2011.

I did not plan to be in this role, but it is fortuitous. After graduating from the University of California, Santa Barbara, in 2007, I graduated from the University of Southern California Gould School of Law in 2011. I passed the California Bar Exam that autumn. I started my legal career as a litigator, first defending architects and engineers for a year, and then litigating high-stakes commercial and bankruptcy cases in state and federal court for four years.

After five years of litigation, I was determined to refocus my career on business and business development. And as I already held a strong affinity for the healthcare industry, I took a position at Bank of America, leading their private practice healthcare lending division in Los Angeles. In that role, I was introduced to the dental industry and learned the nuances of transition finance, credit risk, and business development. After about a year and a half, I elected to return to the practice of law and joined my current firm, Wood & Morgan.

Our firm provides strategic counsel to private practice dentists, veterinarians, and physicians nationwide. We advise clients on almost all matters about their business, including associate agreements, asset sales, partnerships, litigation, estate planning, real estate leasing and acquisitions, and sophisticated deals with private equity-backed companies. Our mission is to help our clients grow intelligently.

What Role Does Counsel Play and Why Does it Matter?

Good counsel is priceless. In business transactions, attorneys usually represent their clients in the drafting and negotiation of transaction documents, which will include letters of intent, associate agreements, independent contractor contracts, commercial real estate leases, asset purchase agreements, membership purchase agreements, and subscription agreements, to name a few.

When attorneys draft and negotiate these documents, they often take direction from the client on matters relating to the deal's financial terms, including purchase price, closing timelines, base rent, operating expenses, and other details and facts specific to the agreement.

An attorney will negotiate the legal terms of the contract based on the client's objectives. For example, the buyer's counsel in an asset acquisition will want solid representations and warranties regarding the quality of the assets purchased. Conversely, the seller's counsel may seek to reduce their client's post-closing obligations. When it comes to contract drafting and negotiation, attorneys ensure that the terms of the agreement are clear and express the parties' intent. This is hard work. Consider this: in the event of a dispute, the attorney you did not hire will scrutinize your agreement for every weakness to benefit their client's interests and harm yours. This spells doom when non-attorneys take a stab at legal work. Reasonable attorneys will

ensure the agreement reflects the parties' mutual understanding and provide a roadmap when Murphy's law shows up to the party.

Great attorneys go beyond the terms of transactional documents to support their clients. In this sense, attorneys may wear various hats during a transaction, from attorney to maven, to therapist, to business coach, and to deal killers. My partners and I are proud to counsel a client against a proposed transaction, even if the advice hurts the firm's bottom line. In addition, we often find ourselves helping our clients analyze deals and opportunities, finding creative solutions to financing problems, reviewing and assuaging concerns regarding red flags on transactions, and resolving otherwise intractably opposing positions to complete transactions.

For example, weird financing problems can arise and blow up deals with little notice. During the last months of my client's cardiology residency, he accepted a position with a hospital in Sparks, Nevada. During the relocation process, he and his family found a home near work, and he set about the difficult task of closing on his first residential property with low cash and high credit-card debt, all while managing his family's needs.

He almost lost the house a few weeks before he was supposed to relocate. During the credit approval process, he received a call from the lender's credit department, citing concern over his artificially high credit card balances—he had stockpiled cash before the acquisition. As a result of this conversation and the positions communicated to my client, he paid down the credit card balances with cash. Good move, right? No. This ultimately led the bank to *refuse* to fund the loan because of my client's low cash balance.

Naturally, my client lost his mind. He only reduced the credit card balances because of the loan officer's *suggestion*. The bank's refusal to fund appeared to have cost him time, effort, and his future family home.

Upon learning of this, I recommended that he extend the purchase contract for a few months and rent the house until the time at which he would be approved for the home loan. This way, he could avoid moving the family multiple times, keep the house, and stabilize his finances after he started working. The seller naturally agreed as it received the upside of a few additional months of rent from a committed buyer. Problem solved.

Consider a different situation: before I was retained, my client had attempted to negotiate a practice acquisition in Illinois for months with little success. Each time he thought he had come to terms with the deal with the seller, the seller would increase either the purchase price for the practice assets or the financial terms of the lease. As a result, my client started to believe the seller was racially biased and was intentionally increasing the deal price to discourage my client from acquiring the practice. Once engaged, I helped the client more accurately analyze the situation by highlighting the ethnicities of the various counterparties and professionals to the deal. This transaction was the United Nations! Each party, counterparty, and respective advisors were from distinct ethnic groups. Racial bias was highly unlikely in this situation. After a few additional conversations, we learned the seller's spouse had unrealistic sales price expectations based on another friend's transaction, and my client walked away from the deal for the *right* reason. I still believe this deal will likely work out in the near future...

Lawyers are typically helpful for more than reading, writing, and negotiating. Many in our profession have practical knowledge about how things work and how to approach problems with a clear head. Fantastic attorneys and advisors will find ways to hold deals together and protect their clients.