

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION**

IN RE:)
) Chapter 11
CHURCH STREET HEALTH MANAGEMENT, LLC,)
 *et al.*¹) Case No. 12-01573
)
 Debtors) (Joint Administration Pending)

**AFFIDAVIT OF MARTIN McGAHAN, THE CHIEF RESTRUCTURING OFFICER
OF CHURCH STREET HEALTH MANAGEMENT, LLC, IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

STATE OF TENNESSEE)
) ss:
COUNTY OF DAVIDSON)

Martin McGahan, hereby affirms, under penalty of perjury, as follows:

1. I am the Chief Restructuring Officer of Church Street Health Management, LLC (“CSHM”), one of the above-captioned debtors and debtors in possession (the “Debtors”). In my capacity as Chief Restructuring Officer, I am necessarily familiar with the Debtors’ operations, business affairs, and books and records.

INTRODUCTION

2. As discussed in more detail below, these Chapter 11 cases were filed to facilitate the sale of substantially all of the Debtors’ operations and assets (the “Assets”) pursuant to either Section 363 or 1129 of the Bankruptcy Code. In light of the Debtors’ current financial situation, the Debtors’ boards of managers and directors (the “Board”) and management, in

¹ The Debtors (with the last four digits of each Debtor’s federal tax identification number and chapter 11 case number), are: Church Street Health Management, LLC (2335; Case No. 12-____), Small Smiles Holding Company, LLC (4993; Case No. 12-____), FORBA NY, LLC (8013; Case No. 12-____), FORBA Services, Inc. (6506; Case No. 12-____), EEHC, Inc. (4973; Case No. 12-____).

consultation with the Debtors' restructuring consultants and legal and financial advisors, have determined that the Debtors' best option to maximize the value of the Assets for stakeholders and to safeguard the welfare of the patients served by the dental centers who receive services from CSHM and FORBA NY, LLC ("FNY") is to pursue the sale of the Assets in an orderly fashion through these Chapter 11 cases.

JURISDICTION

3. The Court has jurisdiction over this matter under 28 U.S.C. § 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of this proceeding is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND AND SUMMARY

4. As of the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"). The Debtors remain in possession of their assets and continue to manage their business and operations as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee, examiner or committee of creditors has been appointed in these cases, and to the best of my knowledge, information and belief, there have been no informal committees formed prior to the filing of these Chapter 11 cases.

5. The Debtor, Small Smiles Holding Company, LLC ("SSHC"), formed in Delaware in September 2006, is the parent of a group of companies headquartered in Nashville, Tennessee that provide dental practice management services to 67 dental centers serving low income and underprivileged families in 22 states across the country (collectively, SSHC and its affiliates, the "Company," the "Debtor," or the "Debtors"). The dental centers are owned by licensed dentists.

A. Organizational Structure; Overview of the Debtors' Operations

(i) Management and Employees

6. The daily operations of the Debtors are delegated by the SSHC and CSHM Boards of Managers (the "Board") to the CSHM executive management team, which is jointly led by interim management personnel and incumbent CSHM management. As further discussed below, I am a managing director of Alvarez & Marsal Healthcare Industry Group, LLC ("A&M") and was appointed Chief Restructuring Officer by the Board in October 2011.

7. As of the Petition Date, the Debtors, through EEHC, Inc. ("EEHC") had approximately 72 full-time, 2 part-time, and 2 "as needed" employees (collectively, the "Employees"). There are no unions representing the Employees.

(ii) Leased Facilities

8. The Debtors do not own any real property. The corporate office space occupied by the Debtors in Nashville, Tennessee, Pueblo, Colorado and Chicago, Illinois is leased by the Company. Additionally, all of the dental centers for which the Company provides management services lease the office space they occupy. In many cases, SSHC or CSHM has guaranteed the dental centers' performance under those leases or assumed obligations under existing guarantees.

(iii) Assets and Liabilities

9. As of the Petition Date, the Debtors had aggregate assets (at book value) and liabilities on a consolidated, unaudited basis of approximately \$895,300,000 and approximately \$303,400,000, respectively. For the fiscal year ended December 31, 2011, the Debtors had contractual revenues of approximately \$138,600,000 (\$28,200,000 collectible) and

incurred a positive change in net assets of approximately \$101,000,000 (of which \$110,400,000 is uncollectible revenue).

B. Pre-Petition Indebtedness

10. The Company's financing facilities are arranged on a Shari'ah-compliant basis, employing structures that have been used in numerous transactions in the United States for at least the past 15 years. These structures have two basic purposes. First, they are designed to comply with Shari'ah rules regarding finance. Second, the structures are intended to be characterized as loans for tax and other United States law purposes, including bankruptcy laws. Although the financing facilities are structured to comply with Shari'ah, the facilities are not in any way governed by Shari'ah law. The governing law applicable to the financing facilities is the law of the State of New York.

11. All of the Company's financing facilities employ the same fundamental structure. For the reasons outlined below, the facilities interpose a special purpose vehicle between the Company and the entities providing financing to the Company (the "Finance Providers"). There are two such special purpose vehicles (the "SPVs") for the Company facilities - SSO Funding Corp. ("SSO") and SSH Funding Corp. ("SSH"). Each of these SPVs is minimally capitalized, and is ultimately owned by an independent third-party corporate services provider, Global Securitization Services, LLC, that is unaffiliated with either the Company or the Finance Providers.

12. The SPVs function as conduits for the provision of financing by the Finance Providers to the Company. This conduit structure is used because, under Shari'ah, the Company was not permitted to enter into conventional financing agreements directly with the Finance Providers. Instead, the Company had to enter into documentation drafted to comply

with Shari'ah precepts.² Conversely, the Finance Providers did not want to enter directly into Shari'ah-compliant financing documents that departed from their conventional financing documentation. Therefore, the SPVs were placed between the Finance Providers and the Company to (1) enter into conventional finance facilities with the Finance Providers, and (2) use the funds obtained from such conventional facilities to provide Shari'ah-compliant facilities to the Company. The chief characteristic of this arrangement is that for each conventional financing facility provided to an SPV, there is a corresponding, matching Shari'ah-compliant facility provided by such SPV to the Company.

13. For United States law purposes, each corresponding pair of conventional and Shari'ah facilities is intended to be a single facility between the relevant Finance Providers and the Company. The payment and other provisions in the conventional facilities and Shari'ah facilities are drafted to operate on a back-to-back basis, so that conventional obligations imposed upon an SPV will be matched by Shari'ah obligations imposed upon the Company. For example, each Shari'ah facility is structured to provide its SPV with amounts needed and at the times needed to enable such SPV to make all debt service and other required payments under its corresponding conventional financing facility. (In practice, the Company has in fact wired payments directly to the Financing Providers rather than to the SPVs.)

14. On this basis, and to simplify analysis, the Company's financing facilities are described below as if each corresponding pair of Shari'ah and conventional financing facilities were in fact one facility. In addition, only conventional finance terms, such as principal and interest, are used to describe the obligations associated with such facilities. Although the Shari'ah facilities employ different terminology to characterize obligations, the Shari'ah facility

² This is because CSHM's current equity owners desire to make their investments in accordance with Shari'ah precepts, which include, among others, prohibitions on investments in certain industries, and restrictions on the manner in which financing may be arranged.

obligations should be considered for United States law purposes as conventional financing obligations.

(i) **Prepetition First Lien Facility and Prepetition Second Lien Facility**

15. SSO, as borrower, CIT Healthcare LLC, as collateral agent and administrative agent and any successor of CIT Healthcare LLC, as collateral agent and administrative agent (in such dual capacity, "Prepetition A/C Agent"), and certain banks, financial institutions and other institutional lenders party thereto from time to time (collectively, the "Prepetition First Lien Facility Lenders") are parties to that certain Amended and Restated Credit Agreement dated as of February 1, 2010 (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "Prepetition First Lien Credit Agreement" and together with all other loan and security documents executed in connection therewith, the "Prepetition First Lien Documents") whereby the Prepetition First Lien Facility Lenders provided a first lien secured credit facility comprised of up to \$131,475,000.00 in aggregate principal amount of term loans (the "Prepetition First Lien Facility").

16. SSO, CSHM (f/k/a FORBA Holdings, LLC), as lessee, along with SSHC, FNY and EEHC (as successor to FORBA Services, Inc. ("FORBA Services")), as guarantors pursuant to certain guaranties executed in connection therewith, and CIT Healthcare LLC, as collateral agent (in such capacity, the "Prepetition Collateral Agent" and together with the Prepetition A/C Agent, the "Prepetition Agent"), are parties to that certain Amended and Restated Registered Lease Financing and Purchase Option Agreement dated as of February 1, 2010 (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "Lease Agreement") and related security documentation for the benefit of SSO

(the “Lease Financing”). The Lease Agreement is the Shari’ah-compliant agreement that corresponds to the conventional Prepetition First Lien Credit Agreement.

17. As of the Petition Date, the Debtors were indebted and liable to the Prepetition Agent and the Prepetition First Lien Lenders, without objection, defense, counterclaim or offset of any kind under the Prepetition First Lien Documents and the Lease Agreement in the principal amount of no less than \$128,225,000 plus interest accrued and accruing, costs and any fees and expenses due and owing thereunder (collectively, the “Prepetition First Lien Facility Obligations”).

18. SSO, as borrower, the Prepetition A/C Agent, and certain banks, financial institutions and other institutional lenders party thereto from time to time (collectively, the “Prepetition Second Lien Facility Lenders”) are parties to that certain Second Lien Credit Agreement dated as of February 1, 2010 (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “Prepetition Second Lien Credit Agreement” and, together with all other loan and security documents executed in connection therewith, the “Prepetition Second Lien Documents” and together with the Prepetition First Lien Documents, collectively, the “Prepetition Credit Documents”) whereby the Prepetition Second Lien Lenders provided a second lien secured credit facility comprised of up to \$25,000,000.00 in aggregate principal amount of term loans (the “Prepetition Second Lien Facility”).

19. SSO, CSHM, along with SSHC, FNY and EEHC (as successor to FORBA Services, Inc. (“FORBA Services”)), as guarantors pursuant to certain guaranties, and Prepetition Collateral Agent are parties, with Arcapita Investment Funding Ltd. (“AIFL”) and AIA Limited (“AIA”) to that certain Amended and Restated Senior Murabaha Facility Agreement dated as of February 1, 2010 (as amended, supplemented or otherwise modified from time to time in

accordance with the terms thereof, the “Commodities Agreement”) and related security documentation for the benefit of SSO (the “Senior Murabaha Facility” and together with the Prepetition First Lien Facility, the Prepetition Second Lien Facility, and the Lease Financing, collectively the “Prepetition Facilities,” and the lenders under the Prepetition Facilities, collectively the “Senior Lenders”). The Commodities Agreement is the Shari’ah-compliant agreement that corresponds to the conventional Prepetition Second Lien Credit Agreement.

20. As of the Petition Date, the Debtors were indebted and liable to the Prepetition Agent and the Prepetition Second Lien Lenders, without objection, defense, counterclaim or offset of any kind under the Prepetition Second Lien Documents and the Commodities Agreement in the principal amount of no less than \$25,639,000 plus interest accrued and accruing, costs and any fees and expenses due and owing thereunder (collectively, the “Prepetition Second Lien Facility Obligations” and, together with the Prepetition First Lien Facility Obligations, the “Prepetition Secured Obligations”).

21. As more fully set forth in the Prepetition Credit Documents, prior to the Petition Date, the Debtors granted security interests in and liens on, among other things, substantially all assets of the Debtors (collectively, the “Prepetition Collateral”), subject to certain limitations (the “Prepetition Liens”) to the Prepetition Agent as collateral agent under the Prepetition Credit Documents.

22. The Prepetition First Lien Facility Lenders, the Prepetition Second Lien Facility Lenders, and the Prepetition Agent are party to that certain Intercreditor Agreement, dated as of February 1, 2010 (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “Prepetition Intercreditor Agreement”), that governs the respective rights, interests, obligations, priority, and positions of the various

Prepetition First Lien Facility Lenders and Prepetition Second Lien Facility Lenders. Pursuant to the Prepetition Intercreditor Agreement, as of the Petition Date, the Prepetition First Lien Facility Lenders' right to payment is senior to the Prepetition Second Lien Facility Lenders' right to payment under the Prepetition Credit Documents.

23. The Prepetition Secured Obligations are (i) legal, valid, binding and enforceable against each applicable Debtor and (ii) not subject to any contest, attack, objection, recoupment, defense, counterclaim, offset, subordination, recharacterization, avoidance or other claim, cause of action or other challenge of any nature under the Bankruptcy Code, under applicable non-bankruptcy law or otherwise. Moreover, as of the Petition Date, the Prepetition Liens on the Prepetition Collateral were legal, valid, enforceable, non-avoidable, and duly perfected and are not subject to avoidance, attack, offset, recharacterization or subordination under the Bankruptcy Code, under applicable non-bankruptcy law or otherwise and, as of the Petition Date.

(ii) **Subordinated Indebtedness**

24. SS Holding Company, Inc., SSH, AIFL, and AIA are parties to that certain Subordinated Murabaha Facility Agreement dated as of February 1, 2010 whereby a deferred payment purchasing facility was made available to SSH in the maximum amount of \$30,000,000.00 (the "SSH Purchasing Facility"). As of the Petition Date, the current outstanding balance of the SSH Purchasing Facility is \$37,389,000. Further, SSH, American Capital, Ltd. ("American Capital") and Carlyle Mezzanine Partners, L.P. ("Carlyle"; and along with American Capital, "Purchasers") are parties to that certain Amended and Restated Subordinate Debt Note Purchase Agreement dated as of February 1, 2010 whereby SSH issued promissory notes to Purchasers in the initial aggregate principal amount of \$31,000,000.00 (the "Subordinated

Notes”). As of the Petition Date, the current outstanding balance of the Subordinated Notes is \$38,616,000.

25. SSH, American Capital and Carlyle, as collateral agents for SSH (in such capacity the “Collateral Agents”), AIFL and AIA Limited are parties to that certain Amended and Restated Subordinated Murabaha Facility Agreement dated as of February 1, 2010 (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “Subordinated Murabaha Facility Agreement”) whereby a deferred payment purchasing facility was made available by SSH to CSHM in the maximum amount of \$61,000,000.00 (the “Purchasing Facility”). As of the Petition Date, the current outstanding balance of the Purchasing Facility is \$76,005,000. The Purchasing Facility is a Shari’ah-compliant facility that corresponds to two separate conventional facilities – the SSH Purchasing Facility and the Subordinated Notes. These two conventional facilities were provided through SSH to the Company through a single agreement, the Subordinated Murabaha .

C. Events Leading to the Chapter 11 Filing

26. The Company is party to a Management Services Agreement (“MSA”) with each dental center for which the Company provides management services (collectively the “Dental Centers”). Pursuant to each MSA, the Company provides the Dental Centers with management services such as billing and collection, bookkeeping, accounting and tax services, dentist and staff recruitment, payroll services, human resources, information technology support, equipment and supplies procurement, leasing, repairs and capital improvements, and assistance with compliance, legal issues, governmental affairs, and licensing and permitting. In exchange for providing these services to the Dental Centers, the Company receives a management fee from which it funds its operations.

27. The Company has been a pioneer in supporting dental centers that provide dental care for low-income families³. It is recognized that children living below the poverty level experience more dental decay and twice as many untreated decayed primary teeth than their upper and middle class contemporaries. For a variety of social and economic reasons, the prevalence, extent and severity of cavities are all more extreme in low-income children. As a result, more extensive and invasive treatment of their teeth is required at an early age.

28. Compounding the problem of dental decay in low-income children is the fact that there is a critical shortage of dentists willing to treat these children. Most of these children, in theory, have access to care through the Medicaid and State Children's Health Insurance Programs ("SCHIP"). The Government Accounting Office and the American Dental Association among others, however, have identified three primary reasons for why most dentists do not treat Medicaid patients: (1) low Medicaid reimbursement rates – generally only 50% to 70% of usual and customary rates; (2) high broken appointment rates among Medicaid patients; and (3) high administrative costs associated with submitting claims to Medicaid. Non-monetary reasons, including a reluctance by some providers to mix Medicaid patients with more affluent patients, as well as a reluctance to locate clinics in poor neighborhoods, also play a role in limiting the number of dentists who treat a sizable number of Medicaid patients. The Dental Centers play a vital role in filling this critical void. In sum, the Company has developed a successful business model that enables the Dental Centers to focus on providing high quality dental care to Medicaid and SCHIP children, without having to worry about administrative and other factors that ordinarily deter dentists from treating these children.

³ Over the past several years, a number of the Dental Centers have begun treating low-income adults as well as children. The vast majority of their patients, however, are children.

29. As a result of the efforts of the Dental Centers, more than 1.5 million patients have been served during the past five years, improving overall dental health and access to care in many low-income areas in the twenty-two states in which the Company has had a presence. In 2011, more than ninety percent of the revenues of the Dental Centers came from state Medicaid and SCHIP programs.

30. In September 2006, SSHC acquired substantially all of the assets of FORBA, LLC and its affiliates ("Old FORBA"), which were principally owned by members of the DeRose family. In connection with that acquisition, the Company was capitalized by a group of private equity sponsors and lenders with a mix of equity, senior secured debt and subordinated debt. Presently, the Company is capitalized with \$181,700,000 in equity, \$153,864,000 million in senior secured debt and \$76,005,000 million in subordinated or mezzanine indebtedness.

31. Under the current owners of the Company, the Company grew from providing management services to 47 Dental Centers in September 2006 to providing management services to 67 Dental Centers today.

32. In 2007, The Office of Inspector General of the U.S. Department of Health and Human Services ("OIG") began an investigation of the Company and the Dental Centers. At about the same time period, the United States Department of Justice (the "DOJ"), began an investigation of the Company and the Dental Centers. Thereafter, a number of state Attorneys General commenced parallel state investigations of the Company and the Dental Centers. The New York State Office of Medicaid Inspector General ("OMIG") also commenced an investigation.

33. In addition to these investigations by various governmental entities, in November 2007, Dental Centers in the Washington, D.C. area became the subject of a local

television investigative news report which was extraordinarily negative and suggested that the Dental Centers were providing services which were not medically necessary. That program was subsequently rebroadcast on “Good Morning America.” In addition, media outlets in other areas of the country picked up the story. The Company, on behalf of the Dental Centers, vigorously disputed the allegations in the media and endeavored to educate the media about the profound treatment needs of its patient population.

34. The cumulative effect of the investigations by the governmental entities along with the negative news stories placed an extraordinary burden on the Company. During the pendency of the investigations, the Company spent millions of dollars to defend itself and the Dental Centers.

35. In January 2010, the Company entered into Settlement Agreements with the DOJ and the 22 states in which it operated (the “States”) to bring an end to the investigations (the “Settlement Agreements”). Without admitting to any wrongdoing, the Company agreed to pay a total of \$24,000,000 to the DOJ and the States over a five-year period and entered into two Corporate Integrity Agreements – one with the OIG (the “OIG CIA”) and one with OMIG (the “NY CIA”). Pursuant to the OIG CIA and the NY CIA (together, the “CIAs”), the Company agreed to maintain the robust compliance program it had developed over the course of the investigations, and to engage an independent monitor to oversee the quality of care being provided to patients at the Dental Centers. Since the inception of the CIAs, that independent monitor, Strategic Health Solutions (“SHS”) has conducted more than 24 site visits and 18 desk audits. Payments to SHS have been approximately \$80,000 per month. In addition to the services of SHS, the Company engaged an Independent Review Organization (“IRO”) to conduct an annual claims review designed to ensure that the Dental Centers are accurately coding and

billing the services provided. The IRO, FTI Consulting Inc., also reviews the quality of care provided as part of its assessment. Payments to the IRO have been approximately \$430,250 to date.

36. Under the terms of the CIAs, the Company is required to submit an Annual Report to the OIG and OMIG every March attesting to, among other things, its compliance efforts over the course of the previous year. In conjunction with the submission of its first Annual Report on March 15, 2011, the Company identified deficiencies in its compliance infrastructure. Thereafter, the Company replaced its Chief Compliance Officer and invested significant resources in its compliance program. Between March 2011 and January 2012, for instance, the number of employees and independent contractors, and the corresponding payroll, grew.

37. At the time that the Settlement Agreements were executed, the Company amended its senior and subordinated financing facilities. In addition, the Company's existing equity owners made an additional cash infusion in an amount equal to \$30,000,000 to the Company, which was made available to the Company under the SSH Purchasing Facility and the Purchasing Facility.

38. Not surprisingly, the combination of adverse publicity and the settlements with the DOJ, OIG and OMIG drew the attention of the plaintiffs' bar. Almost immediately after the Settlement Agreements were executed, trial lawyers began soliciting patients of the Dental Centers to become plaintiffs in lawsuits against the Company and certain Dental Centers and assert a variety of tort and fraud claims against the Company and those Dental Centers. Since January 2010, approximately 11 lawsuits on behalf of over one hundred plaintiffs have been filed against the Company and certain of the Dental Centers, in primarily three states, Ohio, New

York and Oklahoma (the “Patient Litigation”). In addition, a previously-filed malpractice case in New Mexico was expanded to add fraud claims against the Company similar to those asserted in the Patient Litigation. That case went to trial in August 2011 and resulted in a jury verdict in favor of the Company and the applicable Dental Centers. Not to be deterred, the plaintiffs’ attorneys have told the Company that they represent a number of former patients and have requested the charts of those patients, presumably in an effort to file additional lawsuits against the Company and certain Dental Centers.

39. The Company and the Dental Centers are beneficiaries of certain Dentists Liability Policies (the “Policies”) issued by National Fire Insurance Company of Pittsburgh, PA (“National Union”), an affiliate of Chartis, Inc. The Company tendered to National Union the Plaintiff Suits for defense and indemnity under the Policies. National Union denied coverage, and, among other actions, commenced a lawsuit in 2010 against the Company in the United States District Court for the Middle District of Tennessee seeking rescission and reformation of the Policies (the “Coverage Litigation”). The Company filed counterclaims against National Union, alleging bad faith refusal to honor the Policies and violation of the Tennessee Consumer Protection Act. The Company also brought a third party complaint against its insurance broker, Affinity Insurance Services, Inc., for negligence, negligent misrepresentation and violation of the Tennessee Consumer Protection Act. After some preliminary litigation and subsequent negotiations, the parties jointly moved to administratively close the Coverage Litigation, and the District Court entered an order administratively closing the case without prejudice, granting any party the right to petition to have the Coverage Litigation reopened on 30 days’ written notice to the other parties.

40. Notwithstanding the challenges posed by the negative publicity and Patient Litigation, the Dental Centers have consistently had very high patient satisfaction scores and rankings. In 2009, the Company adopted a “net promoter score” (“NPS”) system in all of the Dental Centers. NPS is a customer loyalty metric developed by Bain & Company, Fred Reichhold and Satmetrix and has been embraced by many leading companies worldwide as a standard for measuring and improving customer loyalty. The top NPS scores as reported by Satmetrix for 2011 includes companies such as USAA (87%), Apple (72%) and Amazon (70%). The average 2011 NPS score across all the Dental Centers was 88%.

41. The Company remains fully committed to complying with its obligations under the CIAs and to assisting the Dental Centers in providing high quality dental care to patients.

42. The cost of complying with the Settlement Agreements, the CIAs and the addition of necessary staff and external professionals to improve its compliance programs, along with the litigation and solicitation efforts of the plaintiffs’ attorneys have been a significant drain on the Company’s resources and the staff of the Dental Centers. The negative publicity, the Company believes, has also had an impact on its revenues. The prospect of additional litigation from plaintiffs also inhibits the Company’s ability to consider growth opportunities. While these obligations are not completely debilitating, the Company believes that by entering into these Chapter 11 proceedings it can emerge better capitalized and with either a resolution or a reasonable strategy for the litigation that has burdened the Company recently. The Company remains convinced that this Chapter 11 will allow it to continue its vital mission of facilitating high quality dental care for an under-served population and continue fulfilling its obligations under the Settlement Agreements and CIAs.

43. As a result of the variety of issues facing it, the Company now believes (notwithstanding the significant investments from its equity sponsors, senior secured lenders and subordinate lenders) its worth is likely less than the full amount of the secured debt for which it is obligated. Thus, as of the filing, the equity and subordinated indebtedness has no value at all.

44. During the Summer of 2011, the Company realized it would have difficulty meeting its obligations to the Senior Lenders. On August 30, 2011, the Board authorized the retention of A&M, a turnaround firm, to provide it advice and guidance.

45. On September 30, 2011, the Company was unable to meet its regularly scheduled debt service payment to its secured lenders. Shortly thereafter, the Board retained the services of A&M. I, as managing director of A&M, was chosen as Chief Restructuring Officer. Subsequently, the Board terminated the services of its CEO and COO of the Company.

46. The Company has worked closely with the Senior Lenders on plans to address its situation, as outlined below. The Company entertained refinancing and/or restructuring proposals from the majority of the Senior Lenders as well as other potential lenders. Ultimately, the Company determined to proceed with the plan outlined by the majority of the Senior Lenders, as set forth in more detail in this Affidavit.

47. This filing is made primarily to facilitate a sales transaction whereby the majority of the Senior Lenders (or some other buyer, if one can be found during the first 30-45 days of this case) can acquire substantially all of the assets of the Company and recapitalize the Company. As shown from the first day motions already on file, it is the Company's intention to assume all obligations it has incurred with SHS, the DOJ, OIG and OMIG. In addition, the filing is also being made so that the Company can address in an organized fashion the Patient Litigation and potential future plaintiffs' suits.

D, Decision to Pursue Sale of the Assets and the Debtors' Marketing Efforts

48. In connection with A&M's retention, the Debtors started exploring various restructuring alternatives during the last quarter of 2011. Negotiations ensued between the Debtors and the Senior Lenders concerning various out of court restructuring alternatives. A&M highlighted that, while the impact of certain of the Debtors' cost-saving initiatives was still unknown, there was a real possibility that a sale of the Assets, whether in connection with an out-of-court restructuring or through a sale process under Section 363 of the Bankruptcy Code (a "363 Sale") or through a plan under Section 1129 of the Bankruptcy Code (the "Plan") would be the most likely options. A&M and the Debtors continued to negotiate with the Senior Lenders with respect to various restructuring and sale options. In connection therewith, the Debtors, in consultation with A&M, analyzed extensive restructuring and sale alternatives, and determined that a 363 Sale or Plan was the most feasible option, due to the uncertainty and difficulties that would attend any out-of court restructuring of the Debtors.

49. Commencing shortly after its engagement by the Company in September 2011 and continuing through early February of this year, A&M contacted numerous potential buyers and lenders who might have interest in investing in or lending to the Company. Various routes were explored, including but not limited to, a consensual foreclosure process with the existing lending group, some sort of take-out lending whereby the existing lenders would reduce their indebtedness and allow a new lender to recapitalize the company, new capitalization from existing equity or some combination of those options. Approximately 21 capital sources were contacted by, or contacted, A&M. Ultimately, out-of-court alternatives were jettisoned in favor of proceedings under chapter 11 because of the certainty a bankruptcy filing and transactions in bankruptcy provide.

50. By December 2011, two potential financing providers with potential interest in purchasing the Assets emerged, both of whom were existing Senior Lenders. However, a group led by Garrison Investment Group (the “Stalking Horse”) emerged with the support of a majority of the Senior Lenders to provide financing on a priming basis ahead of the pre-Petition secured indebtedness.

51. Accordingly, the Debtors are diligently working with the Stalking Horse to negotiate and finalize an Asset Sale Agreement (the “Stalking Horse ASA”). The Debtors hope to file a motion to sell the Assets, approve bid procedures and provide certain protections as outlined in the Stalking Horse ASA within the next few days. The Debtors have determined that the Stalking Horse ASA is superior to any other proposal received. Our evaluation included the following factors, among other things, (i) the Stalking Horse has completed substantially all of its material due diligence and accordingly did not require up-front payment of the Stalking Horse’s fees and expenses; (ii) the Stalking Horse ASA will have the support of most, if not all, of the Senior Lenders; and (iii) the Debtors have a high degree of certainty that the Stalking Horse has the ability to close the sale of the Assets (the “Sale”).

52. The Debtors are prepared to submit the Stalking Horse ASA to further the sale process that will be described in detail in the Debtors’ motion to sell the Assets, approve bid procedures and provide certain protections as outlined in the Stalking Horse ASA (the “Sale Motion”). Accordingly, the Debtors will seek approval of the sale process described in the Sale Motion in order to ensure that the sale process yields the highest and best offer for the Assets and will maximize the value received by the Debtors therefor. Although it is anticipated that a credit bid may be the winning bid in the 363 sale process, such sale will result in the assumption of a significant portion of the Debtors’ existing unsecured obligations and ensure the continued

provision of services to the Dental Centers and its patients. If the Debtors are not able to consummate the Sale, their financial limitations would lead to an orderly but relatively quick shut down of all operations.

53. Pursuant to the Settlement Agreements with the DOJ and the States, the consent of the DOJ and States may be necessary to a sale of substantially all the Assets. Accordingly, prior to the Petition Date, the Debtors approached the DOJ and obtained a consent to a waiver of the “change of control” provision related to a Sale of Assets in a bankruptcy. In addition, all the States except for one have consented to waive the “change of control” provision in the Settlement Agreements. It is hoped that the final state, Virginia, will consent prior to the sale of the Assets.

54. Pursuant to the Sale Motion, the Debtors wish to have the Sale Motion considered the week of March 12, 2012, for the marketing period to extend from the Petition Date to the week of April 2, 2012, for an auction to occur by the week of April 9, 2012, for the Court to approve the Sale to the successful bidder at the auction the week of April 9, 2012, and for a closing of the Sale to occur by April 30, 2012.

E. The Chapter 11 Filing

55. The Board was made aware in November 2011 that the cash flow of the Company would likely render it unable to proceed much past mid-February 2012. Thus, no longer able to sustain viable long-term business operations in light of that financial situation, the Board and the Debtors’ management determined that the Debtors’ best option to maximize the value of the Assets for stakeholders while safeguarding the welfare of the patients served by the Dental Centers was to pursue DIP financing and an acquisition transaction with the Stalking

Horse in an orderly fashion through these Chapter 11 cases. The Board authorized the filing of these Chapter 11 cases and the proposed sale process described in the Sale Motion.

56. In order to subject the Stalking Horse's bid for the Assets to competitive bidding in a manner that best assures the consummation of a transaction that will maximize value for their estates, the Debtors seek to pursue the sale process described in the Sale Motion. If the Debtors do not receive any additional bids pursuant to the Sale Motion, the Debtors will request that the Court authorize the Debtors to consummate the transaction with the Stalking Horse, which the Debtors believe will provide the highest value for stakeholders.

57. It is unlikely that cash sufficient to fully satisfy the Senior Lenders will be generated from a sale of the Assets, although that is the purpose of putting the Assets up for auction. Although it is unlikely that the general unsecured creditors will receive anything from the Assets on account of their claims, some of the creditors who potentially make up the unsecured creditor pool hold executory contracts, many of which will be cured, assumed and assigned as part of the sale of the Assets. As set forth earlier, the Debtors will be assuming all obligations to the DOJ, States, OIG, OMIG, SHS and the monitor. Finally, the path charted for this Chapter 11 also provides for a potential resolution of the Patient Litigation.

FIRST DAY MOTIONS AND ORDERS

58. To enable the Debtors to operate during the pendency of these Chapter 11 cases, the Debtors have requested various forms of relief in "first-day" motions (the "First Day Motions") filed contemporaneously herewith. In general, the First Day Motions seek to provide the Debtors with relief necessary to navigate the initial stages of their Chapter 11 cases and to implement the proposed sale transaction while ensuring that the services provided by the Debtors which are critical to maintaining the day to day operations at the Dental Centers are not

interrupted and complying with the necessary protections afforded to the Debtors' key constituencies under the Bankruptcy Code. I believe that such relief is crucial to the Debtors' prospects for successfully implementing the proposed sale of the Debtors' business and assets.

59. I submit this affidavit in support of the First Day Motions.⁴ Except as otherwise indicated, all facts set forth herein are based on my personal knowledge of the Debtors' operations, business affairs and books and records or on my review of relevant documentation. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this affidavit on behalf of the Debtors. I have reviewed each of the First Day Motions and I believe that the relief sought in such motions (i) is necessary to enable the Debtors to operate within the parameters of Chapter 11 with a minimum of disruption while preserving and protecting the value of the Debtors' estates and (ii) constitutes a critical element in implementing the proposed sale of the Debtors' business and assets.

60. The First Day Motions consist of the following:

*I. expedited motion of Debtors for entry of an order setting emergency hearing on certain of Debtors' first day motions (the "First Day Hearing Motion");

*II. expedited motion of Debtors pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedures for joint administration and procedural consolidation of cases (the "Joint Administration Motion");

*III. expedited motion of Debtors for orders approving secured post-petition financing, use of cash collateral, granting adequate protection, granting related relief, and setting a final hearing (the "DIP Motion");

*IV. expedited motion of Debtors for entry of an order (i) authorizing, but not requiring, Debtors to pay certain pre-petition wages, salaries and other compensation, (ii) authorizing,

⁴ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the First Day Motions in which context they are used.

but not requiring, the Debtors to maintain benefits programs, (iii) directing financial institutions to honor all related checks and electronic payment requests (iv) authorizing payment of reimbursable employee expenses, and (v) authorizing payment of workers' compensation benefits (the "Employee Wage Motion");

*V. expedited motion of Debtors for an order authorizing maintenance of existing bank accounts, continued use of existing business forms, continued use of existing cash management system, and granting other relief (the "Cash Management Motion");

*VI. expedited motion of Debtors for entry of an order retaining an Investment Banker (the "I-Banker Retention Motion");

*VII. motion of Debtors pursuant to Bankruptcy Rule 1007 for an order granting an extension of time to file statements of financial affairs and schedules of (i) assets and liabilities, (ii) current income and expenditures and (iii) executory contracts and unexpired leases (the "Schedules Motion");

*VIII. motion of Debtors to set noticing and case management procedures in support of motion for joint administration (the "Noticing Procedures Motion");

*IX. second expedited Motion of Debtors to shorten notice and set expedited hearing for certain motions (the "Second Expedited Scheduling Motion");

X. motion of the Debtors for entry of an order (i) authorizing payment of prepetition obligations with respect to workers' compensation, general liability, and other insurance policies, (ii) authorizing continuance of all insurance programs and satisfaction of all obligations related thereto, and (iii) directing financial institutions to honor all related checks and electronic payment requests ("Insurance Programs Motion");

XI. Expedited Motion Of The Debtors For Entry Of An Order (I) Authorizing, But Not Requiring, Debtors To Pay Pre- And Post-Petition Tax Obligations And (Ii) Directing Financial Institutions To Honor All Related Checks And Electronic Payment Requests (the "Tax Motion");

XII. motion of Debtors for entry of an order authorizing Debtors to honor certain pre-petition obligations incurred within twenty day period prior to petition date (the "Pre-Petition Obligations Motion");

XIII. expedited motion of Debtors for entry of an administrative order pursuant to sections 105(a) and 331 of the Bankruptcy Code establishing procedures for interim compensation and reimbursement of expenses for professionals and committee members (“Interim Compensation Motion”);

XIV. motion of Debtors for entry of an order pursuant to Section 365(a) of the Bankruptcy Code authorizing the rejection of certain executory contracts nunc pro tunc to the petition date (the “Contract Rejection Motion”);

XV. application of Debtors Pursuant To 11 U.S.C. §§ 105(A) And 363(B) To (I) Retain Alvarez & Marsal Healthcare Industry Group, LLC To Provide The Debtors A Chief Restructuring Officer And Certain Additional Personnel And (II) Designate Martin J. McGahan As Chief Restructuring Officer For The Debtors Nunc Pro Tunc To The Petition Date (the “A&M Retention”)

XVI. application of Debtors to retain GCG, Inc. as Claims, Noticing and Balloting Agent to the Debtors and Debtors-In-Possession Pursuant to 28 U.S.C. §156(c) (the “GCG Retention”)

XVII. motion of Debtors for entry of an order: (i) (a) approving bidding procedures for the sale of substantially all assets, (b) scheduling an auction, (c) scheduling a sale hearing, (d) approving assumption and assignment procedures related to the sale, (e) authorizing payment of a break-up fee and expense reimbursement and (f) approving the form of the sale notice; and (ii) (a) authorizing the sale of the Debtors’ assets free and clear of liens, claims, encumbrances, and other interests, (b) authorizing and approving the related purchase agreement, (c) approving the assumption and assignment of certain executory contracts and unexpired leases related thereto and (d) granting related relief (the “Sale Motion”); and

XVII. motion of Debtors for entry of an order authorizing the Debtors to employ professionals utilized in the ordinary course of business (the “Ordinary Course Motion”).

61. It is anticipated that only those First Day Motions identified with an asterisk above will be heard and resolved at a hearing before the Court on February 22, 2012.

I. EXPEDITED MOTION FOR EMERGENCY HEARING

62. The Debtors request entry of an order setting certain of the Debtors' First Day Motions for emergency hearing on Wednesday, February 22, 2012. The requested relief is critical to the Debtors' ability to satisfy its payroll obligations on February 24, 2012. Without the use of cash collateral, the Debtors would be unable to sustain business operations, resulting in immediate and irreparable harm to the Debtors' creditors and estates as the Debtors would be compelled to liquidate their assets at a substantially reduced price, as opposed to the sale process currently contemplated.

II. JOINT ADMINISTRATION AND PROCEDURAL CONSOLIDATION OF CASES

63. The Debtors are affiliates of each other as that term is defined in section 101(2) of the Bankruptcy Code and as that term is used in Bankruptcy Rule 1015(b). CSHM is the chief operating entity of the Debtors. In light of the multiple financial and operational interrelationships among the Debtors, joint administration of the Debtors' cases is appropriate. Moreover, the joint administration of the Debtors' Chapter 11 cases will permit the Clerk of the Court to use a single general docket for each of the Debtors' cases and will further the interests of judicial economy and administrative expediency. The rights of the respective creditors of each of the Debtors will not be adversely affected by joint administration of these cases inasmuch as the relief sought is purely procedural and is in no way intended to affect substantive rights.

64. The Debtors will file separate Statements and Schedules for the Debtor entities.

65. Therefore, the Debtors believe it to be in the best interests of their estates, creditors and other parties in interest that an immediate order be entered providing for the joint administration of the Debtors' Chapter 11 cases pursuant to Bankruptcy Rule 1015(b).

III. DIP MOTION

66. The Debtors request entry of an interim order and thereafter a final order (i) authorizing, on an interim and permanent basis, the Debtors to obtain secured post-Petition financing and to use the Senior Lenders' cash collateral pursuant to sections 363 and 364 of the Bankruptcy Code and Bankruptcy Rule 4001(b) in accordance with an agreed budget, and granting adequate protection to the Senior Lenders (the "DIP"). The requested relief is critical to the Debtors' ability to continue providing services to the Dental Centers necessary to maintain day to day operations without disruption of the services they provide to their dental patients, as the Debtors navigate the Chapter 11 process and conduct their sale process, thereby preserving and protecting the going concern value of their assets and businesses for the benefit of their stakeholders. To the extent the Court does not approve the DIP, the Debtors ask permission to use their cash collateral to continue their operations. Without the use of cash collateral, the Debtors would be unable to sustain business operations, resulting in immediate and irreparable harm to the Debtors' creditors and estates as the Debtors would be compelled to liquidate their assets at a substantially reduced price, as opposed to the sale process currently contemplated.

67. In the exercise of their business judgment, the Debtors have determined that they can continue operations during these cases utilizing the requested post-Petition secured financing and the Senior Lenders' cash collateral in accordance with a budget, a copy of which is attached to the DIP Motion (the "Budget"). The ability to obtain such financing and use cash collateral will enable the Debtors to preserve and enhance the value of their businesses and assets

for the benefit of all creditors through a going concern sale for maximum value. Such relief will also allow the Debtors to develop and confirm a chapter 11 plan.

68. The DIP does prime the existing Prepetition Secured Obligations. The priming is permitted because the requisite lenders under the primed facility have consented. The Debtors attempted but were unable to obtain (a) unsecured credit allowable under 503(b)(1) of the Bankruptcy Code section as an administrative expense, (b) credit for money borrowed secured solely by a lien on property of the estate that it not otherwise subject to a lien, or (c) credit for money borrowed secured by a junior lien on property of the estate which is subject to a lien, in each case, on more favorable terms and conditions than those provided in the DIP Credit Agreement and this Interim Order. Further, the Debtors propose to adequately protect the Senior Lenders by making adequate protection payments as set forth in the Budget and on account of the diminution in the Senior Lenders' secured position.

69. The Senior Lenders have consented to the priming of their secured indebtedness in exchange for the adequate protection set forth in the DIP Motion. In the event the Court does not approve the DIP on the terms presented, the Senior Lenders do not consent and the DIP Lenders will not loan amount sufficient to keep the Company's operations in tact. It is my belief that the Debtors will need to cease operations shortly after the hearings on February 22 should the Court not approve the adequate protection to the Senior Lenders and the DIP Lenders refuse to make the loan on other terms.

70. Attached to the DIP Motion are the following exhibits: the DIP Agreement, the proposed interim order, and the Budget. The DIP Agreement and the Budget were prepared at my direction and under my supervision. They accurately reflect, or are summaries of, the books and records of the Company and the result of the negotiations with the

DIP Lenders. They are complete and accurate to the best of my information, knowledge and belief.

IV. WAGE MOTION & AUTHORIZING HONORING OF PRE-PETITION CHECKS

71. The Debtors' ability to continue providing the management services as they navigate the Chapter 11 process depends upon the maintenance of the Debtors' numerous employees. As a result of the bankruptcy filing, a portion of the wages, salary, benefits and other payments owed to or in respect of such employees and independent contractors (the "Pre-Petition Employee Obligations") have become pre-petition obligations which, absent authorization from this Court, the Debtors would be unable to satisfy. The decline in employee morale that accompanies a bankruptcy filing and cessation of operations would be compounded by the Debtors' failure to provide their employees with fundamental benefits of employment. This would undoubtedly jeopardize the Debtors' ability to maintain their remaining workforce and provide adequate services to the Dental Centers they serve, and would likely have a negative effect on the value of the Debtors' assets.

72. The Debtors believe that authorization to pay the Pre-Petition Employee Obligations is required in order to insure that there is no disruption in the Debtors' workforce. Moreover, absent an order granting this relief, the Banks upon which paychecks are drawn may not be certain of the Debtors' rights and obligations, causing both confusion and delay in the payment of the Debtors' Pre- Petition Employee Obligations. Any interruption in payment of wages, salaries, related benefits and other obligations could undermine confidence in future payment and could therefore have a host of negative implications on the Debtors' staffing, operations and proposed sale. Accordingly, the Debtors believe that the relief requested is in the best interests of their estates, creditors and other parties in interest.

73. The Debtors estimate that the amount of the Pre-Petition Employee Obligations sought to be paid is \$1,500,000.

V. CASH MANAGEMENT MOTION

74. Prior to the Petition Date, the Debtors, in the ordinary course of their business, maintained an integrated network of bank accounts (collectively, the “Bank Accounts”) that facilitate the timely and efficient collection, concentration, management and disbursement of funds. The Debtors seek a waiver of the requirement contained in the United States Trustee’s Operating Guidelines that the Bank Accounts be closed and that new post-petition bank accounts be opened. If enforced in these Chapter 11 Cases, this requirement would cause undue disruption to the Debtors’ continued operations and would impair their efforts to maximize value through the Chapter 11 process.

75. State Medicaid agencies and other government reimbursements are paid to the Dental Centers.⁵ In connection with the management services provided by the Debtors, and on a regular basis several times weekly, the funds in the Dental Centers’ bank accounts are swept into the Debtor’s Bank Accounts.

76. Dismantling the Debtors’ cash management system would likely disrupt the Debtors’ relationships with their key stakeholders and may hinder their ability to maintain operations during their Chapter 11 cases. In particular, the Debtors need to keep their Bank Accounts open because it would be very disruptive to the Company’s cash flow and ability to meet its obligations, including its payroll obligations and payments for supplies to be provided to the Dental Centers, if it had to terminate the sweeps in order to open new bank accounts and direct the swept funds to those accounts. Accordingly, if the Debtors are compelled to close the

⁵ The Dental Centers are parties to the government license, not the Company.

Bank Accounts, the Debtors and Dental Centers would face a major cash flow crisis. If the relief requested in the Cash Management Motion is granted, the Debtors will not pay, and the banks where the Bank Accounts are maintained will be directed not to pay, any debts incurred before the Petition Date, other than as specifically authorized by this Court.

77. To minimize expense to their estates, the Debtors also have requested authority to continue to use all correspondence and business forms (including, but not limited to, letterhead and invoices, etc.) and checks existing as of the Petition Date, without reference to their status as debtors in possession. Because of the nature of the Debtors' businesses and the notice of consummation of cases that will be sent to all of the Debtors' stakeholders and creditors, parties doing business with the Debtors likely will be made aware of the Debtors' status as Chapter 11 debtors in possession. Changing correspondence and business forms would be unnecessary and burdensome to the estates, as well as expensive and disruptive to the Debtors' business operations. For these reasons, the Debtors have requested authority to use their existing checks and business forms without placing the label "Debtor in Possession" on such checks or forms.

78. The Debtors' primary transactional bank is Pinnacle Financial Partners, which contains several accounts maintained and controlled by CSHM, including the Debtors' main operating account. Pinnacle is a financial institution on the United States Trustee's list of approved post-petition banks. CSHM and the other Debtors also use various other banks for their banking needs, primarily for depository purposes. The Debtors agree not to use any financial institution which is not on the United States Trustee's list of approved post-petition banks.

79. The Debtors are seeking authority to continue utilizing their current cash management system. The basic structure of the Debtors' cash management system constitutes

the Debtors' ordinary, usual and essential business practice. The Debtors' cash management system is similar to those commonly employed by others who provide services to dental providers or other health care providers of comparable size and complexity. The widespread use of such systems is attributable to the numerous benefits they provide, including the ability: (a) to tightly control corporate funds; (b) to ensure cash availability; and (c) to reduce administrative expenses by facilitating the movement and concentration of funds and the development of timely and accurate account balance and presentment information.

80. Given the corporate and financial structure of the Debtors, it would be difficult, if not impossible, for them to establish an entirely new system of accounts and a new cash management system. If the Debtors are compelled to close the Bank Accounts and revise their cash management procedures, the Debtors would face a major cash flow crisis. Thus, under the circumstances, maintenance of the Debtors' cash management system is not only desirable, it is also in the best interests of the Debtors' estates and creditors. Lastly, preserving the usual business atmosphere (to the greatest extent possible) for employees and avoiding the distractions that would inevitably be attendant with any disruption in the cash management system will facilitate the Debtors' transition to Chapter 11.

81. Requiring the Debtors to change deposits and other procedures could result in harm to the Debtors, their estates and creditors because it would disrupt the Debtors' existing cash management system.

82. The exhibits attached to the Cash Management Motion were prepared by me or others at my direction and are compiled from the books and records of the Company or are summaries of information from the books and records. I believe them to be true and accurate to the best of my knowledge, information and belief.

VI. I-BANKER RETENTION

83. The Debtors request entry of an order pursuant to Bankruptcy Rule 2014(a) Sections 327(a) and 328(a) of the Bankruptcy Code authorizing and approving the Debtors' retention of Morgan Joseph TriArtisan, LLC ("Morgan Joseph") as Investment Banker ("Investment Banker") in these cases effective as of their retention date and on the terms and conditions of that certain anticipated letter agreement to be dated as of February 21, 2012 by and among the Debtors and Morgan Joseph. The relief requested includes approval of an indemnification provision in the Retention Agreement.

84. The Debtors believe it is necessary and in the best interests of their creditors and estates to engage Morgan Joseph to act as Investment Banker to the Debtors during these cases. The Debtors are attempting to hold a sale of their Assets on a relatively short schedule. The Debtors want to maximize the publicity and interest in the sale of their Assets in an effort to maximize the bids and attract the best bidders for the process. I believe that by having an Investment Banker such as Morgan Joseph will enhance the chance for the greatest bid and the best bidders for the auction. As discussed, the Debtors intend to file the Sale Motion for an auction-style sale of substantially all of their assets pursuant to Section 363 of the Bankruptcy Code. In order to maximize value to the estate, the requested procedures for the 363 Sale will include marketing their assets to potential purchasers. Morgan Joseph is an experienced Investment Banker in this industry and in bankruptcy generally, with the ability to effectively reach numerous parties and generate substantial interest in the 363 Sale. In addition, Morgan Joseph will also formulate and consolidate information for prospective bidders in a format that will facilitate such prospective bidders' ability to evaluate and analyze the terms of the 363 Sale on the requested timeframe.

VII. SCHEDULES MOTION

85. The Debtors and their professional advisors are working diligently to prepare the Schedules of Assets and Liabilities, the Statements of Financial Affairs and lists of executory contracts (collectively, the “Schedules”) to reflect accurately the financial circumstances of the Debtors as of the Petition Date. However, prior to the filing of these cases, the Debtors were unable to direct the resources necessary to complete the Schedules due to the fact that their management and other personnel spent a significant amount of time preparing for the Chapter 11 filing, including the DIP, the proposed sale transaction and attending to their usual demanding daily duties.

86. The Debtors are requesting a fifteen (15) day extension.

87. Furthermore, the Debtors have potentially thousands of creditors and other parties in interest. The Debtors are also parties to numerous personal property leases and other executory contracts. Accordingly, to complete the Schedules, the Debtors will be required, among other things, to organize and review their books and records as of the Petition Date so as to compile and present all of the foregoing information, review their records to determine their liabilities to each individual creditor as of such date, identify all potential claimants to whom a bar date notice must be sent, as well as identify all payments that were made to creditors within the 90-day period prior to filing (or one year period with respect to insiders).

88. Based on the foregoing, and due to the other pressing activities in which the Debtors are engaged at this time, the Debtors will require additional time to finalize their Schedules. Notwithstanding the requested extension, the Debtors hope to file their Schedules in advance of such extended date.

VIII. NOTICING PROCEDURES MOTION

89. The Debtors seek, on an expedited basis, an order authorizing the Debtors to limit the scope of notice of certain matters to a discrete list of parties. The only matters not to be subject to the limited notice list would be as to the commencement of the case, the meeting of creditors and of the sale of Assets to the Stalking Horse or such other higher and better bidder. In addition, the Debtors request that the Court establish certain case management and administrative procedures in order to assist the orderly and efficient administration of these cases, including the scheduling of regular omnibus hearing dates. In light of the large number of creditors in these cases, the Debtors believe that limited notice of routine matters will dramatically reduce the burden, complication, delay, and cost to the Debtors' estates associated with administering these cases and providing notice of proceedings in these cases. Expedited consideration is necessary to maximize the benefit from limiting the scope and manner of subsequent notices and establishing Omnibus hearing dates. The Debtors are not looking to limit notice of the Petitions, Bar Date, or sale procedures.

IX. SECOND EXPEDITED SCHEDULING MOTION

90. The Debtors request entry of an order setting certain of the Debtors' First Day Motions for hearing on or after March 13, 2012 but prior to March 16, 2012, with objections thereto to be filed on or before March 8, 2012. The requested relief is critical to the Debtors' ability to maintain operations and the administration of these cases. Without the entry of these orders, the Debtors would be unable to sustain business operations or the administration of these chapter 11 cases, resulting in immediate and irreparable harm to the Debtors' creditors and estates as the Debtors would be compelled to liquidate their assets at a substantially reduced price, as opposed to the sale process currently contemplated.

91. In an effort to preserve judicial economy, the Debtors identified issues and relief truly needed at the very beginning of these cases for the hearing requested on February 22, 2012. As a result, the following First Day Motions were identified as vital to continued pursuit of reorganization, but were anticipated to be able to be resolved on a slightly slower time frame than items I – IX above. However, quick resolution is required and time remains of the essence with respect to the First Day Motions listed below in items X-XVIII.

**ALL REMAINING MOTIONS AND MATTERS LISTED BELOW WILL NOT BE
HEARD FEBRUARY 22**

X. INSURANCE PROGRAMS MOTION

92. The Debtors maintain certain insurance programs as described in the Insurance Programs Motion, including general liability, umbrella, workers' compensation (and employers' liability), crime, automobile, property, professional liability, directors and officers and employment practices liability and pollution policies, and pay certain prepetition obligations related thereto in the ordinary course of business. In the ordinary course of business, the Debtors also pay other obligations relating to the insurance programs, including broker fees.

93. The Debtors do not believe that any amounts are outstanding with respect to the insurance programs, but to the extent they become due and payable and request that the Court direct the Debtors' financial institutions to receive, process, honor and pay all checks presented for payment or electronic payment request from the Debtors' payroll account and granting authority to reissue any dishonored checks relating to the insurance programs.

94. The Debtors believe maintenance of the insurance programs is of paramount importance to ensure continued coverage under applicable policies in order to protect their estates, and to maintain working relationships with the Debtors' insurers. The Debtors'

maintenance of their relationships with their insurance providers is further critical to ensuring the continued availability of insurance coverage and reasonable pricing of such coverage.

XI. TAX MOTION

95. The Debtors seek authority, but not the direction, to pay certain pre-petition taxes which tend to arise in the ordinary course of business. Sales and use taxes typically arise in the approximate aggregate amount of \$20,000 each month and are generally owed to the authorities contained on Schedule A to the Tax Motion. In order to satisfy their legal obligation to remit such taxes and to avoid any of the negative implications that could arise if the Debtors were to cease payment of such taxes, the Debtors submit that authorization to pay the taxes is justified and will enable the Debtors to maintain stable operations during the initial stages of their Chapter 11 cases and while they pursue sale of the Assets.

XII. PRE-PETITION OBLIGATIONS MOTION

96. Debtors request entry of an order pursuant to Sections 105(a) and 503(b) confirming the administrative expense priority status of undisputed obligations relating to goods and services received by the Debtors within twenty days prior to the petition date, authorizing, but not requiring, the Debtors to pay such obligations in the ordinary course of business, and honoring such payment checks and issuance of replacement checks if needed.

97. The services and goods provided by numerous suppliers and service providers (“Vendors”) are essential to the Debtors’ ongoing business operations. The Vendors may discontinue providing goods and services if their pre-petition obligations remain unsatisfied, thereby interrupting the Debtors’ provision of management services to the Dental Centers and impairing the Debtors’ ability to reorganize efficiently.

XIII. INTERIM COMPENSATION MOTION

98. The Debtors request entry of an order pursuant to Sections 105(a), 331, 363(c), 507(a), 1107(a) and 1108 of the Bankruptcy Code, Bankruptcy Rule 2016 and Local Rule 2016-1 for entry on an expedited basis of an order establishing certain procedures for interim compensation and reimbursement of expenses for professionals and committee members.

99. The procedures requested in the Interim Compensation Motion will relieve the burden on the Court imposed by alternative interim compensation procedures that require monthly court orders, while, preserving all rights of objection, enabling the parties to closely monitor costs of administration, and enabling professionals to maintain a level cash flow.

XIV. CONTRACT REJECTION MOTION

100. The Debtors request entry of an order authorizing Debtors to reject approximately a dozen executory contracts listed on Exhibit A to the Contract Rejection Motion (the “Executory Contracts”) *nunc pro tunc* to the petition date.

101. The Debtors seek to reject the Executory Contracts because they either (a) ceased performance under the listed Executory Contracts (or never commenced performing) or (b) determined that the listed Executory Contract is burdensome and does not provide any value to the Debtors’ estates.

102. The Debtors believe that expedited rejection of the Executory Contracts *nunc pro tunc* and/or retroactive to the Petition Date is necessary because the Debtors do not wish to burden the estates with unnecessary administrative expenses. Due to the timing of the filing of Debtors’ bankruptcy cases, if the Executory Contracts are not rejected as of the Petition Date, the Debtors would face assertion of unnecessary and potentially significant administrative claims against their estates.

XV. ALVAREZ & MARSAL RETENTION

103. Attached to the Application of Debtors to Retain Alvarez & Marsal Healthcare Industry Group, LLC to Provide the Debtors a Chief Restructuring Officer (the “CRO Application”) is that certain letter dated October 7, 2011 between the Company and A&M (the “Engagement Letter”). I have reviewed the CRO Application and the Exhibit (the Engagement Letter), a true and correct copy of which is attached as Exhibit A to the CRO Application.

104. I have been serving as the Debtors’ CRO since October 7, 2011. Pursuant to the CRO Application, I will continue in that role post-petition should the Court approve the retention application.

105. In addition, I will ask Maria Arnaoudona and Laura Katherine Schembri (the “Additional Personnel” and along with me, the “Engagement Personnel”) to assist me in carrying out my duties as CRO.

106. The Engagement Personnel will engage in those job functions generally set forth under the “Scope of Services” set forth in the Application and incorporated verbatim herein.

107. I have more than 10 years of experience serving the needs of financially and operationally challenged organizations. I work to address critical business processes, including cash flow management and enhancement, profit improvement, strategic assessment and business plan implementation. Over the last decade, I have worked on both debtor and creditor-side engagements, primarily within the healthcare sector, including Sunrise Senior Living, Sunwest Management, Inc., Medical Staffing Network, St. Vincent Catholic Medical Centers, Orthodontic Centers of America, Inc., and World Health Alternatives.

108. Prior to the execution of the Engagement Letter, A&M was retained to provide financial advisory services for the Company through Waller Lansden Dortch & Davis, LLC, the Company's legal counsel.

109. Since our retention last fall, the Engagement Personnel has developed significant and relevant experience and expertise regarding the Debtors, their operations and the unique circumstances of these cases.

110. It is my intention to carry out some or all of the following tasks should the Court approve my retention as CRO:

- a. assisting the Debtors' in the ongoing assessment and review of the Company's operations;
- b. assisting the Debtors' financial personnel in the management of the daily cash disbursements and projected cash needs of the Company as projected in the Budget;
- c. assisting in the reporting, planning and compliance with the Debtors' debtor in possession financing
- d. assisting in the overall financial reporting and administrative requirements of the Bankruptcy Code, including post-petition reporting requirements and claim reconciliation efforts;
- e. serving as the principal contact with the Debtors' key constituents/creditors with respect to financial and operational matters; and
- f. performing such other services in connection with the restructuring process as reasonably requested or directed by the Boards and other authorized personnel of the Debtors, consistent with the role played by A&M in this matter and not duplicative of services being performed by other professionals in these proceedings.

112. A&M and I have no affiliation or other business connection with the Debtors, their creditors, equity holders, current or former officers and directors, prospective buyers or investors, other parties in interest, or the attorneys or accountants of any of the

foregoing, or the United States Trustee or any person employed in the Office of the United States Trustee.

113. A&M and I do not hold an interest adverse to the Debtors' estates. As of the Petition Date, we are owed no money by the Debtors. We do hold a retainer of approximately \$225,000 as of the Petition Date.

114. A&M and I are not involved in this case as a creditor, service provider or professional of any entity with which A&M or I or any affiliate of A&M has an alliance agreement, marketing agreement, joint venture, referral arrangement or similar agreement.

115. A&M does not have any employee, officer or director serving on any of the Debtors' Boards and has no right to vote on whether to retain me or A&M. Pre-petition, neither A&M nor I was eligible to vote by the Board on my retention or A&M's retention. Neither A&M nor I have been conferred the authority by the boards or any manager pursuant to which A&M could be unilaterally retained.

116. The engagement contemplated by the Engagement Letter will be a part-time position for me. I estimate that approximately sixty percent of my time will be spent on this engagement. The other engagements I am involved with do not create a conflict with my handling of this matter for the Debtors. However, because of confidentiality arrangements with the engagements I am currently handling, I cannot disclose those without breaching the confidential nature of those engagements. I will be glad to discuss those engagements with the Court in an in camera-type proceeding if necessary. In the other matters on which I am engaged, none of them involve potential buyers of the assets, nor are they with or no behalf of creditors or parties in interest of other companies in the dental management business. For the other Engagement Personnel, this will be a full-time engagement.

117. In the ninety days prior to the Petition Date, A&M has received \$1,224,174.97 in fees and expenses on account of its work for the Debtors. It received a retainer of \$100,000 on September 16, 2011. That retainer was increased to \$250,000 within the ninety days prior to filing this case.

118. The rates for people working on this matter are accurate as reflected in the CRO Application. The terms of our compensation, indemnification and the dispute resolution procedure set forth in the CRO Application is accurate and reflects A&M's agreement with the Debtors in total. A&M agrees to make a CRO Report as set forth in the CRO Application.

119. Based upon my experience in cases similar to this, I believe A&M's rates and the work it will do are reasonable and are similar to the market for such services for engagements of this nature in both out-of-court restructurings as well as in chapter 11 proceedings.

XVI. RETENTION OF GCG

120. For the reasons set forth in the application to retain GCG, the Debtors believe it is necessary and in the best interests of their creditors and estates to engage GCG to act as outside agent to the Clerk of the Bankruptcy Court in order to assume full responsibility for the distribution of notices and proof of claim forms, and the maintenance, secondary processing and docketing of all proofs of claim filed in the Debtors' chapter 11 cases. In addition, in connection with any plan of reorganization proposed by the Debtors, the Debtors have determined that it will require the services of GCG to act as solicitation agent with respect to, among other things, the mailing of a disclosure statement, the plan and related ballots, and maintaining and tallying ballots in connection with the voting on such plan.

121. The Debtors anticipate that there will be large number of entities and individuals to which the Debtors will be required to serve with the various notices, pleadings and other documents filed in these chapter 11 cases. In consideration of the number of anticipated claimants and parties-in-interest, and given the nature of the Debtors' organization, the Debtors respectfully submit that the appointment of GCG will expedite the distribution of notices and relieve the Clerk's Office of the administrative burden of processing such notices. Accordingly, the Debtors' estates, and especially their creditors, will benefit as a result of GCG's experience and cost-effective methods.

122. The Debtors have negotiated the terms of retention set forth in the application and determined such retention terms are reasonable. The expedited time frame for approval of the application will provide certainty for the Debtors and GCG that the Debtors' will receive GCG's services in these cases and that GCG will be compensated on a timely basis.

XVII. SALE MOTION

123. As set forth above, despite the Debtors' best efforts to maintain the viability of their operations, the Debtors' have experienced pervasive financial difficulties. The Debtors pursued a number of initiatives to alleviate their financial problems, but were unable to resolve them. Accordingly, the Debtors retained A&M to provide consulting services and to assist the Debtors with analysis of their restructuring, sale and other options. After a comprehensive review of such options, the Debtors, in consultation with A&M, determined that a sale of substantially all of the Debtors' assets pursuant to Section 363 of the Bankruptcy Code was the most viable course of action due to the difficulties that would accompany an out-of-court restructuring.

124. In order to maximize value obtained for the Assets, the Debtors thereafter conducted a process whereby the Debtors solicited interest from a number of potential

purchasers and ultimately engaged negotiations with two potential purchasers. As discussed above, as a result of this process, the Stalking Horse's bid emerged as the superior deal. While the Debtors believe that the Stalking Horse's bid is a market-tested offer that provides fair consideration for the Assets, the Debtors seek authority to subject it to an open auction to allow interested parties a final opportunity to bid for the Assets. The Debtors respectfully submit that the sale process to be further described in the Sale Motion will result in the maximization of the Assets and is in the best interests of the Debtors' estates, creditors and other stakeholders.

XVIII. ORDINARY COURSE PROFESSIONALS MOTION

125. The Debtors employ various professionals in the ordinary course of business. The Debtors desire to continue to employ ordinary course professionals to render many of the services to their estates similar to those services rendered prior to the petition date. These professionals render a wide range of legal, accounting, tax and other services for the Debtors that impact the Debtors' day-to-day operations. It is essential that the employment of ordinary course professionals, many of which are already familiar with the Debtors' affairs, be continued on an ongoing basis so as to avoid disruption of the Debtors' normal business operations. The Debtors submit that the proposed employment of ordinary course professionals and the payment of monthly compensation on the basis set forth in the Ordinary Course Motion are in the best interest of their estates and their creditors.


126. The relief requested will save the estates the substantial expenses associated with applying separately for the employment of each professional. Further, the requested relief will avoid the incurrence of additional fees pertaining to preparing and prosecuting interim fee applications. Likewise, the procedure outlined in the Ordinary Course

Motion will relieve the Court and the U.S. Trustee of the burden of reviewing numerous fee applications involving relatively small amounts of fees and expenses.

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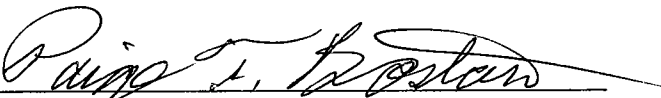
CONCLUSION

The Debtors' Chapter 11 cases were filed to facilitate the sale of the Assets pursuant to Section 363 of the Bankruptcy Code while minimizing loss to the Debtors' estates and safeguarding the welfare of the patients served by the Dental Centers. I believe that if this Court approves the First Day Motions, the prospect for achieving these objectives, to the maximum benefit of creditors, will be substantially enhanced.



Martin McGahan

SWORN TO AND SUBSCRIBED before me, a Notary Public for the State and County aforesaid, on this 20th day of February, 2012.



Notary Public
My Commission Expires: May 17, 2015

