



## Q1-2011 DENTAL INDUSTRY UPDATE

### Birner Dental and American Dental Update

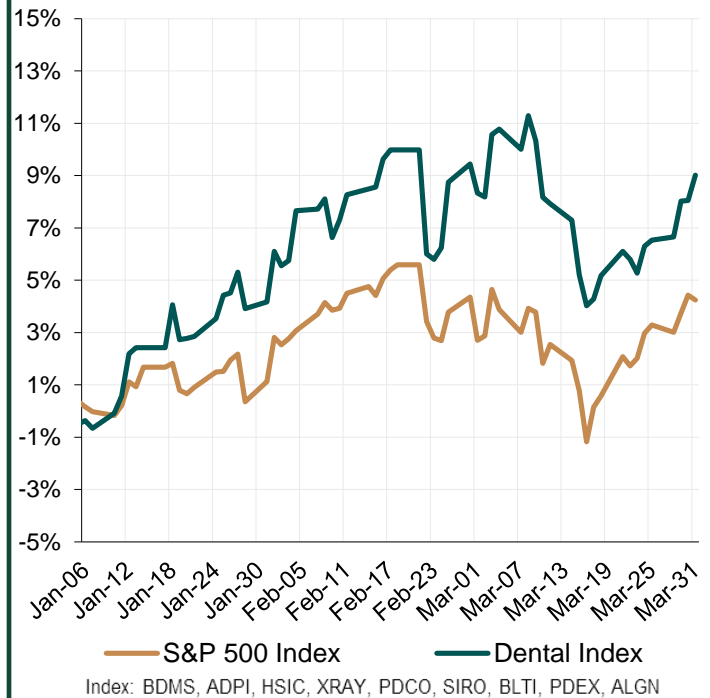
The end of fiscal year 2010 demonstrated a strong recovery for the dental practice management industry from the economic downturn for American Dental Partners (NASDAQ:ADPI) and Birner Dental Management Services Inc. (NASDAQ:BDMS) with an increase of .53% and 18.34% in share price since from end of Q1-2010 to Q1-2011, respectively.

Both companies have a strong presence in Arizona where dental practices are adversely affected by the poor economic and regulatory situation in the state. American Dental has witnessed an increase in visits from healthier patients, consequently reducing the amount of higher margin procedures such as sedation evasive care operations in the company's dental offices. Dental offices in states with budgetary constraints such as Arizona and Texas have experienced drops in reimbursement as health care budgets slashes continue. However, growth opportunities still exist as many geographical locations are still underserved. According to the Kronkosky Charitable Foundation, 36.5% of Texans are not seeking dental care and no dentist exists in 46 Texas counties.

Nevertheless, the dental practice management industry will continue to see positive performance as dental expenditures are expected to grow to \$161 billion by 2018 from \$101 billion in 2008, representing an annual growth rate of 5%. The growth will be largely attributed to increases in costs and demand for services from increased enrollment in dental benefit plans, a greater aging population, an increased demand for aesthetic dental procedures, and an increased awareness of oral wellness and health.

### Comparative Performance

Below is a year-to-date chart comparing the performance of an index of dental practice management, supplies, and services companies to the S&P 500. Dental companies have performed relatively well in Q1-2011, as demand for dental services is largely driven by aging and growing demographics.



### Heartland Dental Care: 45 New Dental Practices in 2010

With approximately 20% growth in 2010, Heartland Dental Care now operates almost 300 locations in 17 states, now including Georgia, Maryland, Oklahoma, and Pennsylvania followed by 45 new dental practices added in 2010. Other accomplishments by management include: patients ranking Heartland in the top 15% of dental practices in the US according to Press Ganey; 75 new dentists joining the Heartland brand; and implementation of Kodak digital radiography in all Heartland offices.

So far in 2011, Heartland Dental has announced its affiliations with three locations in Nevada, two locations in Arizona, three locations in Florida, and a de novo office in Mt. Juliet, Tennessee. 2011 performance is expected to exceed that of 2010 as Heartland plans to continue its expansion growth.

### RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
February 2011	One Call Medical	Express Dental Care	One Call Medical, a leading provider of specialty services to insurance payers, acquired Express Dental Care. Financial terms of the deal were not disclosed. Express Dental Care is a national dental network that serves the needs of workers compensation, auto, and liability industries. The acquisition will help cut costs and increase return-to-work outcome for One Call Medical clients.
February 2011	Hudec Dental	Assets of AllCare Dental	Hudec Dental agreed to acquire the assets of three former Allcare Dental locations. Financial terms were not released. Allcare Dental operated 58 offices in 14 states, but abruptly went out of business and left thousands of patients abandoned at the end of last year. The acquired locations are in Mentor, Middleburg Heights, and Canton Ohio. Through this acquisition, Hudec will become one of the largest independent dental practices in the Cleveland region.