



Q3/Q4-2011 DENTAL SERVICES INDUSTRY UPDATE

Market Update

Over the last two quarters, there has been a continuation of the same two trends that have dominated the Dental Practice Management (DPM) Sector for the last few years. The first is that of Private Equity (PE) investment – while the DPM space has seen arguably more PE capital than any other subsector within healthcare services, we continue to see great opportunity for groups to find strong platforms. The take-private deal including JLL Partners and American Dental Partners, leaving essentially one publicly traded DPM company, is the latest Company to become a portfolio of a multi-billion dollar private equity group, assuming the deal's successful close. The second major trend is a natural progression of the aforementioned in that private-equity backed DPM's are aggressively seeking to grow through acquisitions, both on the smaller end as well as the multi-location geographical plays. Great Expressions, a one-time Provident client, successfully grew exponentially over Audax Group's 3.5 year holding period through a series of acquisitions both small and large. With the Company's recent sale to OMERS Capital Partners, at what can be assumed a healthy EV/EBITDA multiple valuation, expect GEDC to continue along the same path of aggressive growth. Other groups, such as Heartland Dental Care and North East Dental Management, continued to utilize the financial backing of their respective private equity partners (CHS Capital and DFW Capital Partners) as they focus aim both into new geographies and also boost their presence in current areas.

As we look into 2012, it can be expected that these two trends will continue over the foreseeable future. Despite the fact that so many DPM's are currently under private equity ownership, there still remains a strong amount of targets, of all sizes, that would generate interest as a platform investment. With that in mind, strategic acquirers will always be ready and willing to add on locations through acquisitions due to the rather ease and cost benefits of achieving growth in this manner as opposed to de novo methods.

NOTEWORTHY TRANSACTIONS

| Month | Acquirer | Target Company | Details |
|----------------|----------------------------------|---|--|
| November 2011 | JLL Partners | American Dental Partners (NASDAQ: ADPI) | JLL Partners, a leading NY middle market private equity group, has entered into a definitive agreement to acquire American Dental Partners for \$395 million. After JLL initially showed interest, ADPI shopped the deal to a number of other suitors, however returned to JLL shortly thereafter. The deal provides JLL with the largest publicly traded DPM as a platform, with ADPI operating 278 practices in 21 states. The deal is valued at 8.0x EBITDA and 1.3x revenues. The transaction is expected to close in the first quarter of 2012. |
| October 2011 | OMERS Capital Partners | Great Expressions Dental Centers | OMERS Capital Partners announced the acquisition of Great Expressions Dental Centers from Audax Group. Audax originally purchased a majority stake in GEDC in May 2008 in a process run by <i>Provident Healthcare Partners</i> , and had grown the Company through 10 acquisitions over the 3.5 years in which they were invested. Management continues to maintain a minority stake in the business. Financial terms of the transaction were not disclosed. |
| September 2011 | Heartland Dental Care | Neibauer Dental Care | Heartland Dental Care announced the acquisition of Neibauer Dental Care, a dental practice management company which manages 26 practices in VA, MD, and DC. With over 330 practices prior to the acquisition, the purchase of NDC significantly boosts Heartland's presence in the Mid-Atlantic region of the country. No financial terms of the transaction were disclosed. |
| August 2011 | Coast Dental Services | Dental Technology, dba SmileCare Dental Group and Community Dental Services | Coast Dental Services completed the previously announced acquisition of the assets of Dental Technology, which includes businesses operating under the SmileCare Dental Group and Community Dental Services brands. SmileCare and Community Dental will continue operating under their brand names. The acquisition adds 57 practices in CA, NV, and TX to Coast Dental, adding a significant footprint to their current 125 practices primarily in the Southeast. Financial terms of the transaction were not disclosed. |
| August 2011 | North East Dental Management | Dental Associates of Northern Virginia | North East Dental Management, formerly known as Garden State Dental Management, completed its acquisition of Dental Associates of Northern Virginia. While NEDM is primarily owned by DFW Capital Partners, this acquisition was funded by MCG Capital and NXT Capital. This deal adds six new offices, bringing NEDM's total to 30. No financial terms of the transaction were disclosed. |
| August 2011 | Great Expressions Dental Centers | Goodman Orthodontics PC | Great Expressions Dental Centers announced the acquisition of Goodman Orthodontics, a Michigan orthodontic practice, from its founders. No financial terms of the transaction were disclosed. |
| July 2011 | Great Expressions Dental Centers | Wright Dental Care | Great Expressions Dental Centers announced the acquisition of Wright Dental Care, a Florida dental care services practice, from its founders. No financial terms of the transaction were disclosed. |