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December 16, 2011

**HIGHLY CONFIDENTIAL
AND PROPRIETARY INFORMATION
PROVIDED PURSUANT TO SENATE RULE XXIX**

VIA HAND DELIVERY

Erika Smith
Senior Investigator, Republican Staff
Senate Judiciary Committee
[REDACTED] Hart Senate Office Building
Washington, DC 20510

Christopher Law
Investigator
Committee on Finance
Dirksen Senate Office Building, SD-[REDACTED]
Washington, DC 20510

Re: Church Street Health Management -- Production of Ownership Materials

Dear Erika and Chris,

In response to your letter dated November 18, and as discussed during our November 30 meeting, the below and enclosed is information provided by Church Street Health Management (formerly known as FORBA Holdings, LLC and SANUS Holdings, LLC, collectively "CSHM") in response to your request for information about the ownership of the dental centers with Management Services Agreements ("MSAs") with CSHM, and the relationships between the owners of the dental centers and CSHM.

As a general matter, CSHM notes that each of the dental centers is a separate professional corporation or limited liability company and is owned by a licensed dentist. Each center has its

own tax identification number, own workers compensation and general liability policies, and is the tenant party to the office lease for the practice location. Each center also has its own bank account and payroll. The ownership structure of the centers and the forms of the MSAs were vetted by CSHM through its outside counsel, Waller Lansden Dortch & Davis, LLP, prior to CSHM's acquisition of the MSAs in September 2006, and Waller Lansden has continued to advise CSHM on these issues. CSHM believes that the ownership structure of the centers and the MSAs comply with laws governing the corporate practice of dentistry in the various states in which it operates, and believes that other dental centers serving largely Medicaid populations have similar arrangements with other dental management companies (e.g. Kool Smiles).

The Owners of the Dental Centers

From September 26, 2006 to August 12, 2008, all of the dental centers with MSAs were owned by Dr. [REDACTED] or Dr. [REDACTED] (other than the centers in Kansas, which were owned by dentists practicing in those centers; the centers in New York, which were owned by Dr. [REDACTED]; and the Louisville, Kentucky center, which was partially owned by Dr. [REDACTED]). Drs. [REDACTED] and [REDACTED] also had been associated with "Old FORBA," the entity that was the party to the MSAs prior to the September 2006 asset purchase by CSHM, and they became Senior Vice Presidents of CSHM following the acquisition. In August 2008, Drs. [REDACTED] and [REDACTED] transferred ownership of the centers to various dentists who practiced in dental centers with MSAs, generally in a center in the state in which their owned centers were located. From August 2008 through the present, the owners of the centers have not been employed by CSHM.

A list of the owners of the dental centers as of December 1, 2011 is attached hereto at Tab A. As you can see from that list, as of December 1, 2011, 27 dentists owned a total of 74 centers with MSAs.¹ Of these 27 owner dentists, 20 own multiple centers, typically all within one state. For example, a Maryland-licensed dentist owns the Oxon Hill, Maryland center and is its Lead Dentist, and also owns the centers with MSAs located in Baltimore, Maryland.

Ownership Structure/Agreements

Since the acquisition of the MSAs by CSHM in September 2006, the ownership interests in the centers have been conveyed through, and memorialized in, a series of documents, samples of which are enclosed herewith. These documents generally are: (1) Purchase Agreement (sample attached at Tab B); (2) Assignment and Assumption Agreement (sample attached at Tab C); (3) Irrevocable Stock Power (sample attached at Tab D); (4) Buy-Sell Agreement (sample attached at Tab E); (5) Stock Pledge Agreement (sample attached at Tab F); (6) Resignation of Manager, Officer and Director (sample attached at Tab G); (7) Actions by Unanimous Written Consent of the Board of Directors (samples attached at Tabs H and I); (8) Counterpart Signature

¹ We understand that, Over the next month, two centers will be closing: Albany, New York and Toledo, Ohio. We also understand that four centers may be sold to other dentists over the next few weeks, and their MSAs terminated: Muncie, Indiana; Omaha, Nebraska; Pueblo, Colorado, and Mission, Texas.

Page to Management Services Agreement (sample attached at Tab J); and (9) Stock Certificate (sample attached at Tab K).

The dentist owners purchased the right, title and interest in the dental center as a professional corporation or limited liability company from the previous dentist owner for some dollar amount, typically \$100.00. (*See* Purchase Agreement, attached at Tab B.) The owners typically serve as officers and directors of the professional entities and pay themselves a fixed administrative fee from the practices they own (*see* Tabs H and I). The owners also receive compensation as employees from the centers at which they provide dental services.

In addition to the Purchase Agreement and related stock transfers and assignments, since September 2006, each owner (other than owners of the Kansas centers) has entered into a Stock Pledge Agreement with CSHM, *see* Tab F, under which the owner grants CSHM a security interest in the owner's shares of the professional entity to secure the owner's guaranty of the center's performance under the MSA. If the owner or the center breaches the Stock Pledge Agreement or the MSA, a designated dentist may purchase the owner's shares for \$100.

Each owner (other than owners of the Kansas centers) was also a party to a Buy-Sell Agreement in a form similar to that attached at Tab E. The Buy-Sell Agreements currently are between the owner of the center and Dr. [REDACTED] DDS,² although as set forth below, this is in the process of being changed. The Buy-Sell Agreement provides, among other things, that the owner cannot sell any stock or other interest in the center except: (1) pursuant to the terms of the Stock Pledge Agreement; or (2) with the prior consent of the center and Dr. [REDACTED] to a buyer who is qualified to own the center under the laws of that state and who agrees to be bound by the terms of the Buy-Sell Agreement and executes a Stock Pledge Agreement with CSHM. The Buy-Sell Agreement also provides that in the event of a defined "Event of Transfer" (such as the owner dies, loses his license, or is excluded from Medicaid), the owner must give notice to the center and Dr. [REDACTED] and then Dr. [REDACTED] (or his designee) has the irrevocable option to purchase the ownership interests in the center.

Until recently, Dr. [REDACTED] was also an employee of CSHM. On November 14, 2011, Dr. [REDACTED] notified CSHM that he would be resigning his position effective December 14, 2011, and would no longer be a party to the Buy-Sell and Stock Pledge Agreements. The Buy-Sell and Stock Pledge Agreements are in the process of being transferred from Dr. [REDACTED] to other licensed dentists who currently own one or more centers, generally in a neighboring state. A sample of the assignment of the Buy-Sell and Stock Pledge agreements is attached at Tab L.

The ownership documents regarding the Topeka, Kansas and Youngstown, Ohio centers differ from the sample agreements referenced above, and are attached separately hereto at Tabs M and N. With regard to the centers in Wichita, Kansas and Indian Springs, Kansas, they continue to be owned by the original owners who established the practices, and there are no Purchase Agreements, Assignments, Buy-Sell Agreements, Stock Pledge Agreements or related

² Dr. [REDACTED] is a practicing dentist in Tennessee.

documents. CSHM is continuing its review to determine if there are other centers that have documentation that differs from the sample agreements enclosed herewith, and they will produce any additional such documents to you.

Dentist Employment Contracts

All owners of centers (except the owner of the Indian Springs, Kansas center) have employment contracts with the centers where they practice dentistry. These agreements generally provide the terms of employment, including compensation and other benefits, and licensing and credentialing obligations. The employment agreements for each of the current owners (except Indian Springs) are attached at Tab O.

Management Services Agreements

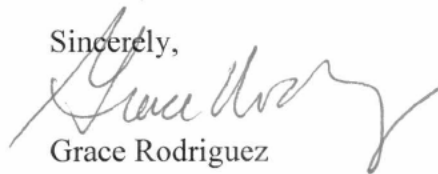
As a general matter, CSHM provides business, administrative and other "back office" services to the dental centers. This includes loans and assistance to the centers for the costs and services needed to develop and open the centers, including leases, equipment and all necessary licenses and approvals, as well as bookkeeping, accounting, tax, billing, collection, licensing, legal, compliance and recruiting services. The standard MSA, with addenda, is attached at Tab P. The standard form of MSA has been entered into by all centers except those in Alabama, Kansas, New York, Nevada and Youngstown, Ohio. Sample MSAs for those centers are attached hereto at Tab Q. CSHM is continuing to review the MSAs to determine if there are others that differ from the standard form, and will produce any additional MSAs to you.

This letter and the information and documents enclosed contain or constitute highly confidential and proprietary information of CSHM provided to the Committees pursuant to your requests and pursuant to Rule XXIX of the Standing Rules of the Senate. Accordingly, CSHM has marked all documents produced with the legend "CSHM HIGHLY CONFIDENTIAL AND PROPRIETARY INFORMATION. PROVIDED PURSUANT TO SENATE RULE XXIX." We request that the Committees afford these documents the maximum protection available to information provided to the Committees. CSHM respectfully requests that the Committees, your staff, and all those who may review CSHM's documents, including electronic submissions of information and documents, on behalf of the Committees, protect against the disclosure of this confidential information. CSHM also respectfully requests advance notice of any contemplated disclosure of CSHM's confidential and proprietary information, and a reasonable opportunity to object.

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The information herein was provided by CSHM, and as noted above, will be updated by CSHM. CSHM and Waller Lansden believe it would be beneficial to discuss this information and the enclosed documents with the Committee staff at your convenience. Please contact us if you would like to arrange for such a discussion.

Sincerely,



Grace Rodriguez

cc:

[REDACTED]
General Counsel
and Chief Administrative Officer
Church Street Health Management, LLC
(w/o enclosures)

[REDACTED]
Waller Lansden Dortch & Davis, LLP
(w/o enclosures)

[REDACTED]
Senior Counsel
Office of Counsel to the Inspector General
(w/o enclosures)