

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:

**ABC DENTISTRY, P.A., *et al.*,¹
DEBTORS.**

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CHAPTER 11

CASE NO. 16-34221

Jointly Administered

**DECLARATION OF JOHN D. BAUMGARTNER, MANAGING DIRECTOR OF STOUT
RISIUS ROSS, LLC, IN SUPPORT OF CONFIRMATION OF THE SECOND
AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ABC
DENTISTRY, P.A. AND ITS DEBTOR AFFILIATES**

1. My name is John D. Baumgartner and I am a Managing Director of Dispute Consulting at Stout Risius Ross, LLC (“Stout”). I specialize in liquidity management, financial and strategic planning, and implementation of financial strategies for corporate turnarounds and restructuring. I have more than fifteen years of experience in management consulting and financial restructuring. In addition, I am a Certified Insolvency and Restructuring Advisor and hold a Certification in Distressed Business Valuation. My curriculum vitae is attached hereto as Exhibit A.

2. Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge and experience. I submit this declaration in support of *the Second Amended Joint Chapter 11 Plan of Reorganization of ABC Dentistry, P.A. and its Debtor Affiliates, as Modified on December 11, 2017* [Docket No. 349] (the “Plan”), filed on December 11, 2017.

¹ The Debtors in these chapter 11 cases are: ABC Dentistry, P.A.; ABC Dentistry West Orem, P.L.L.C.; and ABC Dentistry Old Spanish Trail, P.L.L.C.

Qualifications and Background

3. Stout's provision of restructuring advisory services to the Debtors began in 2016. I am the Debtors' lead restructuring advisor for Stout in this engagement. Over the past 16 months, I have spent a considerable amount of time providing restructuring and operational advice to the Debtors, including assisting the Debtors with their business plan, cash management, and forecasting. Based on my extensive work with the Debtors and day-to-day involvement with their business and senior management team, I am familiar with the Debtors' operations, business, and financial affairs, and have personal knowledge of the challenges the Debtors have faced in this restructuring.

4. As part of my duties as a restructuring advisor, I am frequently asked to testify in connection with confirmation matters. Based on the facts of a particular case and the needs and objectives of a particular company or restructuring, I assist chapter 11 debtors in developing and confirming plans of reorganization.

The Plan is in the Best Interests of Holders of Claims and Interests

5. The Liquidation Analysis, which Stout prepared at the direction of the Debtors, indicates that in a liquidation under chapter 7 of the Bankruptcy Code, the Debtors have a liquidation value between \$1,096,011 and \$1,411,655. These amounts would not be sufficient to pay creditors in full. Under the Debtors' Plan, the consolidated Litigation Defendants have a five-year projected pre-tax income of \$3,213,743 and the creditors will be paid in full, unless they elect to be treated otherwise. In light of this conclusion, discussed in further detail below, I believe that the Plan satisfies the best interest of creditors test.

6. The Liquidation Analysis was filed as Exhibit C to the Disclosure Statement and was designed to determine the respective value of distributions, if any, that holders of Claims

and Interests would receive on account of such Claims and Interests if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code. The Liquidation Analysis was prepared at my direction. I am familiar with the methods used, and the conclusions reached, in the preparation of the Liquidation Analysis. It is my understanding that the Liquidation Analysis represents the Debtors' best estimate of the cash proceeds, net of liquidation-related costs, that would be available for distribution to the holders of Claims and Interests if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code.

7. The Liquidation Analysis was based on a variety of assumptions that I believe are reasonable under the circumstances. The Liquidation Analysis assumes that the Debtors would cease operations in order to minimize costs associated with the chapter 7 wind down and liquidation, and the liquidation would take approximately six months to complete.

8. I understand that, among others, the Liquidation Analysis incorporated the following assumptions and likely consequences of the conversion to chapter 7:

- a. The Debtors estimate that they would be able to collect 70-85% of account receivables. Collection of Intercompany Receivables is estimated at 75-90%.
- b. The trustee would likely be required to retain brokers and liquidators to sell the Company's fixed assets, who would receive commissions between five and twenty-five percent. The fixed assets primarily include computer hardware and software, dental equipment, furniture and fixtures, and signage. The Liquidation Analysis estimates a 15-40% recovery for these fixed assets.
- c. The Debtors would likely be able to recover 100% of deposits, which consist primarily of cash deposits related to operational accounts and the Debtors' settlement reserve.
- d. The Liquidation Analysis assumes that the Debtors would recover approximately \$0 on account of all preferences and other causes of action.

9. As indicated above, the Debtors' liquidation value is less than \$1.5 million. Such an amount is not sufficient to pay the Debtors' creditors in full, as is anticipated under the Debtors' chapter 11 Plan. Rather, in a liquidation scenario creditors would recover

approximately \$0.20-0.35 per dollar on their claims. Accordingly, recoveries under the Plan are equal to or greater than recoveries under a hypothetical chapter 7 scenario as shown in the Debtors' Disclosure Statement.

10. I believe, based on the discussion above as well as the assumptions and additional information set forth in the Liquidation Analysis, that a chapter 7 liquidation of the Debtors would result in a significant diminution in the value to be realized by holders of Allowed Claims in the Impaired Classes set forth in the Plan.

11. I understand that section 1129(a)(7) of the Bankruptcy Code sets forth the "Best Interests Test" for confirmation of a chapter 11 plan and generally provides that for each class of impaired Claims or Interests, each holder in such class that has accepted the plan or "will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of this title on such date" Given that creditors would not otherwise be paid in full, the value provided under the Plan to holders of Allowed Claims unquestionably exceeds the value which any of these holders could be provided in a chapter 7 liquidation.

The Plan is Feasible

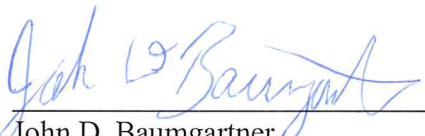
12. I understand that to satisfy the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code, a debtor must demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization, of a debtor or any successor to such debtor. I believe that the Debtors have satisfied this requirement.

13. Together with Stout, the Debtors' management team prepared projections of the Debtors' financial performance through fiscal year 2021, which were attached as Exhibit D to

the Disclosure Statement. I reviewed the financial projections while they were being prepared, and I agree with the analysis employed.

14. On the Effective Date, the Debtors will have certain payment obligations under the Plan, as well as in the months following the Effective Date. I believe that the Debtors' liquidity on the Effective Date, which will include cash as well as the ability to draw on intercompany notes, and projected cash flow should enable the Reorganized Debtors to satisfy their ordinary course obligations. Moreover, sufficient funds exist or will be generated by the Reorganized Debtors to make all payments required by the Plan. For these reasons, I believe that the Plan satisfies the financial feasibility requirements of section 1129(a)(11) of the Bankruptcy Code.

Pursuant to 28 U.S.C. § 1746, the undersigned makes the forgoing declaration as of the date of the filing under penalty of perjury.



John D. Baumgartner

EXHIBIT A

Curriculum Vitae

John Baumgartner

Managing Director



Houston, TX USA
Office: +1.713.221.5149
Mobile: +1.832.423.6711
jbaumgartner@stoutadvisory.com

Education

M.B.A, Rice University
B.A., Economics
Rhodes College

Designations

Certified Insolvency and Restructuring
Advisor (CIRA)
Certification in Distressed Business
Valuation (CDBV)

Practice Areas

Bankruptcy
Investigations
Special Assignments
Restructuring

Industry Focus

Consumer, Retail, Food & Beverage
Energy & Utilities
Healthcare & Life Sciences
Real Estate, Lodging & Leisure

John Baumgartner is a Managing Director in the Dispute Consulting group. He has more than 15 years of consulting, restructuring, and corporate finance experience. He has been involved with financial and operational restructurings, solvency analyses, fraudulent transfer disputes, investigations of fraud and misconduct, forensic accounting investigations, valuation of assets and enterprises, asset divestitures, and due diligence. He has advised trustees, debtors, senior lenders, mezzanine lenders, and unsecured creditors of companies in industries that include real estate, healthcare, power and utilities, retail gas marketing, retail power marketing, midstream energy companies, web hosting/e-commerce, transportation, and retail services.

Professional Memberships

- Turnaround Management Association – Former Treasurer of the Houston Chapter and former member of the National Education Oversight Committee
- American Bankruptcy Institute
- Association of Insolvency and Restructuring Advisors.

John Baumgartner
Managing Director



Testimony Experience

Elizabeth M. Guffy, Plan Agent v. Dick Deguerin, et al, US District Court, Southern District of Texas, Houston Division, 2017

Market Tech Media Corporation v Register Tapes Unlimited, Inc., Roy Hernandez, Myron Miller, Steve Murphy, and Vance Kirby, State of Texas, District Court of Harris County, 55th Judicial District, 2016

Publications

"How Credit Bidding Still Affects Oil and Gas Bankruptcy Recoveries," *The Stout Journal*, Spring/Summer 2017

"Impact of Credit Bidding on Oil and Gas Bankruptcy Recoveries," *AIRA Journal*, Vol. 31, No. 1, 2017

"Challenges in Higher Education," *The SRR Journal*, Fall 2016

"How Credit Bidding is Impacting Oil and Gas Bankruptcy Recoveries," *The SRR Journal*, Fall 2014

Speeches and Seminars

"Chapter 11—The New Critical Path." Presentation to the City Bar of New York, October 2008.

"Case Study of a Hypothetical Big 3 Auto Manufacturer Restructuring." TMA Houston, Fall Continuing Education Program, September 2009.

"Increase in Prepackaged Bankruptcies Likely to Continue." *The Journal of Corporate Renewal*, October 2010.

"Emerging Issues in Bankruptcy Litigation: Fraudulent Transfers and Preferences" Presentation to the 2011 University of Texas School of Law Bankruptcy Conference

"Who Really Is Your Client ... No, Really??" Presentation to the State Bar of Texas Advanced Business Bankruptcy Conference 2012

"Credit Bidding in Oil and Gas Bankruptcies", Presentation to Houston Chapter of the Inns of Court, November 2014

"Oilfield Service Industry Update," Commercial Finance Association, Hosted by Winstead PC, May 12, 2015

"Oil and Gas Restructurings: Helping Financial Institutions Deal with the Impact of Declining Oil and gas Prices", Anderson Kill Banking and Lending Practice Presentation, May 19, 2016

"Risky Business: Lending in Distressed Times", joint presentation with Jackson & Walker LLP, September 22, 2016