

## Frequently Asked Questions

### **Q. What is a management buyout?**

- A.** A management buyout (also known as an MBO) is a form of a buyout used to transfer ownership of a company to investors and certain members of the management team. This form of a buyout enables the investors and management team to take the company private while allowing certain managers to become owners of a small portion of the company. MBOs usually result in managers owning from 5% to 10% of the company with the remaining 90% to 95% owned by strategic or financial investors.

According to Dow Jones (2005), "The majority of these types of deals occur in stable, mature companies that have an established track record of generating strong and sustainable cash flows."

### **Q. Coast Dental Services, Inc. has been publicly-held since 1997, what are some of the reasons for going private now?**

- A.** Going private is a growing national trend among small public companies. This trend is partly fueled by the rapidly-increasing legal, accounting and Sarbanes-Oxley compliance expenses associated with being a public company. A recent study<sup>1</sup> of small-cap and mid-cap public companies revealed that the average cost of being a public company increased by 80% from 2002 to 2004. For the typical company those costs grew from \$1.9 million per year in 2002, to more than \$3.4 million in 2004. Combined with a lack of stock market liquidity common to many small public companies, the costs of being a publicly-traded enterprise have resulted in a doubling of the number of companies filing to go private in 2004 versus 2002, and nearly a four-fold increase since 1998.<sup>2</sup>

A recent survey of public companies found that 20% of respondents were considering going private as a result of public company costs.<sup>3</sup> Companies that have gone private over the past few years include Tampa-based JLM Industries, Inc., Safeguard Health Enterprises, and EMS Ambulance. An example of a large company private transaction worth \$6.6 billion in 2004 is Cox Communications based in Atlanta, Georgia.

The Board believes that Coast Dental currently derives no material benefit from its public company status. In addition to the direct financial burden from being a public company, the thin trading margin in Coast Dental's stock has not provided liquidity to its stockholders.

By going private, there is less pressure on short-term quarterly earnings and the Company will have greater flexibility to focus on long-term strategies and investment horizons that will continue to enhance patient care. Intelident Solutions will use much of the savings associated with going private to promote service enhancements at Coast Dental's dental centers. Coast Dental will expand its clinical and information technology upgrade programs and continue its ongoing capital investment program to enhance the patient treatment rooms in its dental centers. Intelident Solutions expects to open five new Coast Dental dental centers within the next six months, including two in the Tampa area, and one in the Atlanta area.

**Q. What is the benefit of going private for the Coast Dental shareholders?**

- A. Shares of Coast Dental stock had been trading infrequently and at very low volumes during the past few years. Intelident Solutions was able to provide unaffiliated or outside shareholders with the ability to sell all of their shares at a substantial premium price over the average share price during recent historical periods.

**Q. What process was used to determine the final share price for the shareholders?**

- A. In order to consider the fairness of the merger to Coast Dental's shareholders, Coast Dental's board of directors formed a special committee of independent directors who are neither directors, officers nor employees of Coast Dental. The special committee negotiated the \$9.25 per share merger for the benefit of the unaffiliated or outside shareholders.

The independent special committee concluded that the merger agreement is fair to and in the best interests of Coast Dental's unaffiliated or outside shareholders. In arriving at this conclusion, the independent special committee considered the opinion of its independent financial advisor that the merger consideration of \$9.25 per share was fair to Coast Dental's unaffiliated or outside shareholders from a financial point of view.

**Q. What was the final share price paid to the shareholders?**

- A. The final price paid to unaffiliated or outside shareholders was \$9.25 per share. Typically, most MBO stock purchase prices represent a premium of 50% to 70% over the most recent stock price. In determining the fair value to shareholders during this transaction, the independent special committee's financial advisor conducted a survey and determined the mean and median for related merger acquisition premiums was approximately 25% to 55% over the most recent stock price. Intelident Solutions was able to offer Coast Dental shareholders a 160% premium price over the most recent stock trading price of \$3.55.

**Q. How was the merger transaction funded?**

- A. The transaction was funded with a combination of internally generated funds and a stock issuance.

**Q. How many Coast Dental (CDEN.pk) shares were outstanding prior to going private?**

- A. 2.139 million shares (CDEN.pk) were outstanding prior to the management buyout.

**Q. What was Coast Dental's market capitalization at the time the company went private?**

- A. Approximately \$7.6 million

**Q. What will be the ownership structure of Coast Dental after the merger?**

- A. Coast Dental will survive as an entity owned by Intelident Solutions, Inc. and will no longer have unaffiliated or outside shareholders.

**Q. Who are the owners of Intelident Solutions, Inc.?**

- A. Intelident Solutions is owned by outside investors and thirteen members of the management team.

**Q. How will going private affect Coast Dental patients?**

**A.** There will be no interruption in the continuity of care for patients as a result of going private. All dental centers will still operate under the brand name Coast Dental and the cost savings associated with going private will promote service enhancements at the dental centers. Coast Dental patients will benefit from an expansion of dental centers, better technologies and enhanced patient treatment rooms. The cost savings of going private will also translate into the continuation of affordable high-quality dental care in all Coast Dental practices.

**Q. How will going private affect Coast Dental employees?**

**A.** As a result of going private, there are no planned changes to the corporate or dental center staff workforces. Intelident Solutions will continue to provide comprehensive non-clinical practice management services to 106 dental centers in Florida, Georgia, Tennessee and Virginia. Intelident Solutions will hire additional employees to work for Coast Dental practices due to the planned opening of five new dental centers in Florida and Georgia.

**Q. Will Intelident Solutions relocate the corporate headquarters?**

**A.** No. Coast Dental was founded over 13 years ago as a Tampa Bay small business. Intelident Solutions will continue this tradition and show its community commitment by maintaining the corporate headquarters in the Tampa Bay area.

**Q. What is the vision and mission of the newly formed company?**

**A.** Promoting care for dental patients through a network of 106 Coast Dental owned or affiliated dental practices makes Intelident Solutions one of the nation's leading dental practice management companies. As it moves forward, Intelident plans to expand its geographic reach and services portfolio to become the preeminent provider within the dental practice services industry.

<sup>1</sup> Thomas E. Hartman, "The Cost of Being Public in the Era of Sarbanes-Oxley", Foley & Lardner LLP, June 16, 2005. Available at [www.foley.com](http://www.foley.com)

<sup>2</sup> Ellen Engel, Rachel M. Hayes and Xue Wang, "The Sarbanes-Oxley Act and Firms' Going-Private Decisions", University of Chicago Graduate School of Business, October 29, 2004

<sup>3</sup> Hartman, p.10