

1 **DECLARATION OF ERIC GANGLOFF IN SUPPORT OF ALTERNATIVE**
2 **DEBT PORTFOLIOS' MOTION TO APPOINT CHAPTER 11 TRUSTEE**

3 I, ERIC GANGLOFF, declare and state:

4 1. I am a Managing Member and Managing Director of Alternative Debt Portfolios,
5 LLC, a Nevada limited liability company ("ADP LLC"). I provide this declaration in support of
6 the Motion to Appoint Chapter 11 Trustee. I have personal knowledge of all facts and
7 circumstances stated herein unless otherwise stated upon information and belief.

8 2. ADP LLC is the General Partner of Alternative Debt Portfolios, L.P., a Delaware
9 limited partnership ("ADP L.P.") and collectively with ADP LLC "ADP"), and as such makes all
10 management and operating decisions for ADP L.P. ADP L.P.'s investors are the limited partners
11 of ADP L.P.

12 3. ADP L.P. is a private investment fund which invests primarily in consumer
13 chattel paper. It purchases debt instruments, such as accounts receivable, credit sale contracts,
14 etc. from the prior owners, often the paper's originators, at a discount, which instruments ADP
15 then holds and services. ADP L.P.'s profit margin involves the difference between the gross
16 purchase price and the amount ultimately recovered under the instruments.

17 4. ADP's principal place of business is 790 Ida Court, in Incline Village, Washoe
18 County, Nevada.

19 5. On or about June 2005, Debra Distler, the CEO of E-Z Pay Services, Inc. ("E-Z
20 Pay") contacted ADP through a broker to see if ADP would purchase dental financing contracts
21 from E-Z Pay.

22 6. On or about June 21, 2005, ADP entered into a Purchase Agreement with E-Z
23 Pay, through which approximately \$26,280,168 in principal balance of dental financing contracts
24 was purchased through June of 2006 in 12 individual purchases, bearing little coupon (most had
0% APR), for an average of 72.3% of their face value. ADP paid a total of \$18,923,140 to E-Z
Pay for its purchases over this period. Given the remaining term of the consumer loans, which in
many cases are several years, and the fact that the loans bear 0% APR (zero coupon), this was a
fair and reasonable amount of discount based on the present value of the cash flows and is

1 customary in the industry. Had E-Z Pay not also given ADP recourse back to the E-Z Pay
2 owned loans on defaulted loans purchased by ADP, ADP would have required a larger discount.

3 7. In the initial negotiations with E-Z Pay of ADP's purchase agreement, Distler
4 was confident that the combination of fees paid to E-Z Pay by the doctors and the settlements
5 with the doctors for discounted lump-sum payouts of E-Z Pay's liability to them (specifically
6 Ms. Distler told us that 50% discounted payouts had been negotiated with several doctors
7 offices) would make ADP's purchases financially beneficial for E-Z Pay and help market E-Z
8 Pay and boost future sales.

9 8. Both Ms. Distler and Lee Haegle, the CEO and CFO and sole stockholders of E-Z
10 Pay as disclosed to ADP on E-Z Pay's Client Application, as well as James Distler, Ms. Distler's
11 husband, were willing to personally guarantee the purchase, which showed ADP that they had
12 nothing to gain by not fulfilling their obligations to pay the doctors and perform on all of ADP's
13 purchase requirements.

14 9. ADP has a Billing and Collections agreement with Duvera Billing Services, LLC
15 ("Duvera"). Duvera services (collects the monthly payments on and interfaces with the patients
16 on) the accounts on behalf of ADP, including both the ADP-owned accounts and accounts in
17 which ADP has a security interest to cover its recourse obligation from E-Z Pay. In addition, E-
18 Z Pay has been collecting on some delinquent accounts in-house, and has also used Marauder
19 Corporation, dba Nationwide Capital Recovery, for collections on its delinquent accounts.

20 10. ADP acquired these contracts free and clear of any liens or encumbrances and
21 has the right to receive all payments due from the individual consumer patients pursuant to the
22 terms of the Purchase Agreement and the addenda thereto, including the Purchase Addendum,
23 the Provider Payment Guarantee, Personal Guarantees, Reserve Fund Addendum, Assignment of
24 Security Interest and for each individual purchase, separate Assignments and Exhibit As
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1 11. ADP assumed no obligation to pay the doctors from the funds received on the
2 contracts as that obligation remained with E-Z Pay and the doctors were to be paid from the
3 amounts paid by ADP to E-Z Pay for the contracts.

4 12. In the Provider Payment Guarantee, E-Z Pay absolutely guaranteed to continue
5 forwarding all payments due to the dentists and/or to settle balance in full with all of the dentists,
6 and that all financial liability to the dentists is the sole responsibility of E-Z Pay and will
7 continue to be so after such assignment. E-Z Pay agreed to indemnify and hold harmless ADP
8 from any and all liabilities arising from the assignment of the Contracts (E-Z Pay Enrollment
9 Forms) to ADP. E-Z Pay also agreed to notify all dentists named on all Contracts (E-Z Pay
10 Enrollment Forms) assigned to ADP that the assignment had been executed and that E-Z Pay
11 will continue forwarding payments to the dentists and/or to settle balance in full with all such
12 dentists, which it was liable to do so as per the terms of the E-Z Pay Medical Provider
13 Agreements.

14 13. In addition, ADP has a perfected security interest in the contracts that E-Z Pay
15 owns which ADP has not purchased, regardless of where they are being serviced. This security
16 interest exists in part to protect ADP's recourse (per the Purchase Addendum) for debtor default,
17 which provides for the repurchase or replacement of delinquent contracts. ADP has been
18 exercising this recourse regularly, and the unpurchased contracts provide collateral for ADP to
19 continue to exercise this recourse, although it is now possible that insufficient collateral exists to
20 protect all of ADP's future recourse.

21 14. On or about July 2006, Ms. Distler, on behalf of E-Z Pay requested that ADP
22 purchase additional dental financing contracts from E-Z Pay for \$2,000,000 in purchase payout
23 to E-Z Pay. Since the volume of new monthly originations by E-Z Pay being placed at Duvera
24 had shrunken by about 50% since ADP's first purchase, ADP was concerned that there were not
enough accounts in billing reserve to cover the recourse liability to ADP in the event that E-Z
Pay stopped originating new accounts. ADP made it clear that from late 2005 that it needed to
obtain a detailed accounting of the amounts owed to the doctors by E-Z Pay and other due

1 diligence information had to be provided before any further purchases could be done. In
2 addition, ADP sought an assignment of E-Z Pay's in-house delinquent billing accounts and
3 delinquent accounts held at Nationwide Capital Recovery to ADP to provide ADP with
4 additional collateral.

5 15. I was shocked when E-Z Pay provided a spreadsheet showing a \$9.9 million
6 liability remaining to the doctors with only approximately \$4 million in accounts left in billing.
7 It appeared that E-Z Pay was only making the minimum monthly payments to the doctors and
8 that the amounts ADP had paid to E-Z Pay were used for other purposes. Based upon Ms.
9 Distler's representations, I understood that most of the dentists whose patients' contracts ADP
10 had purchased had been "cashed out" with the over \$18,923,140 that ADP had paid to E-Z Pay.
11 However, in July 2006, I learned that this was not the case.

12 16. In early July, I was contacted by former E-Z Pay employee, Scott Silver, who Ms.
13 Distler employed as "Chief Accountant." Mr. Silver informed me about a new entity that Ms.
14 Distler had set up, MyDDS.com, and warned me that Ms. Distler intended to bankrupt E-Z Pay,
15 leaving ADP and the doctors "out to dry." He also informed me that Ms. Distler had been
16 spending significant amounts of E-Z Pay's funds for personal expenditures, including down
17 payments and mortgage payments for personal residences.

18 17. I looked at the well-designed website for MyDDS.com, which had the details of a
19 finance program similar to one E-Z Pay and ADP had discussed to enhance E-Z Pay's
20 profitability. When I asked Ms. Distler about MyDDS.com, she said that it was a company she
21 had thought about forming years ago, that the Website was turned on by mistake, and that she
22 did not even know about it. When we inquired about the corporate filings, Ms. Distler told us
23 her attorney had done them by mistake. The Website went offline the next day.

24 18. I then called a phone number from the MyDDS.com enrollment package I had
downloaded off her Website the day before, and a woman named Michelle answered, "My
DDS.com." When I asked, she said that the program is real and that no one was available in the
sales office now, but that someone would be in the following day. I asked about the website

1 being down, she said that she was aware of that, and that it should be back up again shortly. She
2 told me that MyDDS.com's business address is 10748 Deerwood Park Blvd, Jacksonville, FL
3 32256, which is the same address used by E-Z Pay. In my opinion, Ms. Distler was attempting
4 to deceive ADP into thinking that the new company did not exist so that ADP would continue to
5 buy more consumer paper from the old company, while she focused her attention on the new
6 company. The MyDDS.com Website was back online a few days later, and as of today's date, it
7 still is.

8 19. Based upon this newly-acquired information, ADP decided that further purchases
9 from E-Z Pay were not an option. When ADP held off on the purchase requested by Ms. Distler,
10 Ms. Distler sent at least 12 e-mails beginning on the night of July 14th through July 19th 2006
11 threatening to contact patients and doctors and direct the doctors to ADP for payment and to
12 direct the patients to start paying E-Z Pay unless ADP paid E-Z Pay millions of dollars.

13 20. On July 19, 2006, ADP commenced litigation against Debtor, Distler, and
14 MyDDS.com in the Second Judicial District Court, State of Nevada: Alternative Debt Portfolios
15 vs. E-Z Pay Services, Inc. et al., CV06-1688 and obtained a Temporary Restraining Order
16 ("TRO") to preclude the defendants from engaging in the conduct outlined in Distler's e-mails
17 and letters. A copy of the Motion for Temporary Restraining Order, the exhibits thereto, and the
18 Temporary Restraining Order are attached hereto as **Exhibits B and C**. Nevertheless, it is ADP's
19 position that Distler and Debtor have violated the TRO by sending out a malicious letter to many
20 of the dentists encouraging them to sue ADP. A copy of the Motion for Order to Show Cause,
21 filed on July 26, 2006, and the Transcript of the Hearing conducted before the Honorable Brent
22 T. Adams on August 1, 2006, are attached hereto **Exhibits D and E**.

23 21. As set forth in the Motion for Order to Show Cause attached as Exhibit D, on July
24 25th 2006, Ms. Distler sent an e-mail to me and ADP's management with a MS Word document
attached to it. This document was named "anon.doc," and contained an "anonymous" directive
to the dentists purportedly being sent by another dentist asking them to sue ADP, Duvera our
billing company, and each of principals individually, among other things. It also directed the

1 dentists to call us day and night at our personal contact numbers, which were pasted at the end of
2 the letter. Since not one single doctor was ever sent this personal contact info by ADP, and the
3 content was clearly taken from our e-mail signatures since both the information and the fonts
4 were identical to them, it was obvious that Ms. Distler wrote some or all of it, in direct violation
5 of the TRO.

6 22. The letter sent to ADP on July 25th was apparently sent to many doctors' offices
7 by fax. That same day, Wheatland Dental in Dallas, Texas, obtained a temporary restraining
8 order following the instructions in the "anon.doc" letter. Other doctors have followed and
9 continue to follow suit, forcing ADP to retain counsel in multiple states to defend these actions
10 based upon false information, which was provided in direct violation of ADP's TRO against E-Z
11 Pay. In addition, ADP and Duvera have as a result of this letter received countless phone calls
12 from doctors which have caused us to incur substantial additional time and cost. Additionally,
13 doctor's offices have been directing their patients to cancel their EFTs and to remit payment
14 directly to the dentists, also a directive from the anon.doc letter which ignores the fact that these
15 loans were not originated by the dentists. My personal cell phone and other numbers have been
16 ringing off the hook at all hours due to angry doctors calling as the letter directed.

17 23. In addition to the verbal information he had provided previously, Mr. Silver sent
18 me ten (10) e-mails on July 20, 2006 with file attachments confirming the abuse of Company
19 funds he told us about. They are as follows, and are attached as **Exhibit F**:

- 20 a. Mr. Silver's first e-mail contained 28 files showing expenditures made on
21 Company debit cards issued to six members of the Distler family through
22 AmSouth Bank. These expenditures appeared to be substantially personal in
23 nature, for items such as Dillard's, Sirius satellite radio, Emusic.com, Linens N
24 Things, Petsmart, Publix grocery store, Itunes, Cartoon Network, Toys N Joys,
Venetian Nail Spa, Nutri-System, Florida Traffic School, Wild Bird Center, Surf
N Skate surf shop, Gap, Finish Line, Babies R Us, Sephora perfume, Old Navy, a
Cruiser 310 boat, high-dollar meal and entertainment expenses, and numerous

1 Prosperity Bank transactions which appear to be cash withdrawals.

- 2 b. Mr. Silver's second e-mail contained a copy of an administaff paystub that
3 reflects Ms. Distler's "absurd lack of salary for the company CEO," purportedly
4 to evade income tax.
- 5 c. Mr. Silver's third e-mail contained his resignation letter stating in part to Ms.
6 Distler that he was never comfortable with E-Z Pay's accounting practices.:
- 7 d. Mr. Silver's fourth e-mail contained an Instant Message conversation with Ms.
8 Distler, in which she asked him for a resignation letter that did not point to her
9 accounting practices:
- 10 e. Mr. Silver's fifth e-mail contained a PDF showing that he was given a 20% raise
11 shortly before his resignation.
- 12 f. Mr. Silver's sixth e-mail contained bank statements and registers for James
13 Distler's dental practice Advanced Dental Resources, as well as a message from
14 Mr. Silver stating "Bank Statements for her husbands UBO dental practice that
15 pays no taxes. Most of the money here came from E-Z Pay." A review of the
16 bank statements and register shows numerous payments between E-Z Pay and
17 Advanced Dental Resources.
- 18 g. Mr. Silver's seventh e-mail contained the 2005 register for Advanced Dental
19 Resources which was also attached to e-mail #6.
- 20 h. Mr. Silver's eighth e-mail contained the message "Here are 2005 ez pay financials
21 with a detailed list of bogus loans and consulting fees to the advanced dental
22 bogus UBO in her husbands name." A review of these statements shows an
23 amazing \$779,298.10 in loans from E-Z Pay to Advanced Dental Resources.
24 Furthermore, another document attached to this e-mail shows "Consulting
Expenses" adding up to \$197,583.32—comprised of items such as Greenpoint
Mortgage, Dillard's, Target, Publix Market, Ashley Furniture, and numerous
other expenditures none of which appear to be related to business consulting to E-

1 Z Pay. A Balance Sheet and Income Statement for 2005 were also attached,
2 showing expenses of \$4.37 million, vs. gross income of \$2.51 million. The
3 Balance Sheet showed assets of \$13.22 million, but these included outstanding
4 loans to Max Distler, Advanced Dental Resources, Sierra Lockeford and Lee
5 Haegle adding up to \$2.421 million.

6 i. Mr. Silver's ninth e-mail is a conversation thread between him and Ms. Distler
7 through which Mr. Silver stated that in response to ADP's inquiries about the
8 liability to the doctors, "Debbie, Unfortunately, there is no accurate or reliable
9 report to reflect dr liability. The AES reports Marilyn sent me left something to be
10 desired. I simply plugged the dr liability figure after determining the A/R and the
11 Fee income."

12 j. Mr. Silver's 10th and final e-mail was a communication between Mr. Silver and
13 Ms. Distler on May 14th, 2006, relating to her closing a deal on financing for her
14 new Company, MyDDS.com. Mr. Silver further explained that Ms. Distler's
15 intention was to bankrupt E-Z Pay, and start afresh with MyDDS.com. Ms.
16 Distler instructed Mr. Silver and the other employees to keep this new finance
17 company and program a secret from ADP so that we would continue to purchase
18 contracts from E-Z Pay as long as possible.

19 24. In the aftermath of the letter sent to the dentists advising them to contact ADP for
20 payments E-Z Pay rightfully owes to them and advising them to sue ADP, I have learned that
21 none of the them had been told that ADP purchased their patients' accounts with E-Z Pay in
22 breach of the Provider Payment Guarantee. I have also learned that E-Z Pay is in default on
23 payments to the doctors going back to May in at least some cases.

24 25. It is unclear how much is owed to the dentists. Ms. Distler told ADP the week of
July 14th that E-Z Pay owed \$9.9 million in aggregate to the doctors, then later \$10.5 million, and
then finally in Ms Distler's "anon" letter, \$20 million. It is therefore unclear exactly how much
is past due from E-Z Pay to the doctors, but it appears to be well into the seven figures.

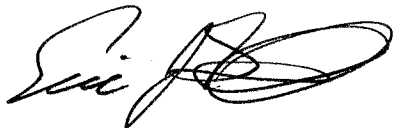
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26. Based upon the information in its website, E-Z Pay is not answering its phones, is not accepting new doctor or patient applications, is not responding to doctor and patient inquiries, and has essentially ceased operating.

27. According to the doctors who have contacted ADP, Ms. Distler has contacted numerous doctors by phone and fax asking them to join MyDDS.com, but when asked about E-Z Pay's obligation to the doctors, MyDDS.com blames ADP, saying that due to ADP's TRO E-Z Pay cannot talk to the doctors.

I declare under penalty of perjury that the foregoing is true and correct.

Dated this 9th day of August, 2006.



ERIC GANGLOFF