

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

<p>-----X</p> <p><i>In re:</i></p> <p>CONTRACT RESEARCH SOLUTIONS, INC., <i>et al.</i>,</p> <p style="text-align:right">Debtors.¹</p> <p>-----X</p>	<p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p>	<p>Chapter 11</p> <p>Case No. 12-11004 (____)</p> <p>Joint Administration Requested</p>
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**DECLARATION OF MICHAEL T. MURREN IN SUPPORT OF
CETERO'S FIRST-DAY MOTIONS**

I, Michael T. Murren, hereby declare under penalty of perjury:

1. I am the Chief Financial Officer of Contract Research Solutions, Inc. (“Holdings”), a corporation organized under the laws of the State of Delaware and one of the above-captioned debtors and debtors in possession (collectively, “Cetero”). Holdings is the direct or indirect parent of each of the other above-captioned debtors. In my capacity of Chief Financial Officer of Holdings, I am familiar with Cetero’s day-to-day operations, business, financial affairs, and books and records.
2. On the date hereof (the “Petition Date”), Cetero commenced voluntary cases under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the Court (the

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s tax identification number, as applicable, are: Contract Research Solutions, Inc. (3750); Allied Research Holdings Inc. (not applicable); Allied Research International Inc. (Ontario) (not applicable); Allied Research International, Inc. (Florida) (6246); Allied Research International India, LLC (not applicable); Allied Research International U.S., LLC (not applicable); BA Research Co. (not applicable); BA Research International Holdings, LLC (not applicable); BA Research International, L.P. (0418); BARI Management, LLC (not applicable); BARI Merger Sub, LLC (not applicable); BARI Partners, G.P. (0418); Bioassay Research Co. (5944); CRS Management, Inc. (2856); CRS Real Estate Holdings LLC (not applicable); Diabetes and Glandular Disease Research Associates, Inc. (1817); Gateway Medical Research, Inc. (0344); PRACS Dermatology, LLC (not applicable); PRACS Institute, Ltd. (7073); Specialty Research, Inc. (5373). Cetero’s corporate headquarters is located at 2000 Regency Parkway, Suite 255, Cary, North Carolina 27518.

“Chapter 11 Cases”). Cetero continues to operate its businesses and manage its properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

Concurrently herewith, Cetero has filed a motion seeking joint administration of the Chapter 11 Cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

3. I submit this declaration (the “First Day Declaration”) to provide an overview of Cetero and the Chapter 11 Cases and to support Cetero’s chapter 11 petitions and “first day” motions (each, a “First Day Motion”).² Except as otherwise indicated herein, all facts set forth in

² All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the relevant First Day Motion, which include the following:

- *Motion For Order, Pursuant To Bankruptcy Code Section 302 And Bankruptcy Rule 1015, Directing Joint Administration Of Related Chapter 11 Cases*
- *Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363, And 1505 And Bankruptcy Rule 6004, Authorizing Contract Research Solutions, Inc. To Act As Foreign Representative Of Cetero*
- *Motion For Interim And Final Orders, Pursuant To Bankruptcy Code Sections 105(a), 363(c)(1), 364(a), 364(b), and 503(b)(1), And Bankruptcy Rules 6003 and 6004, (A) Authorizing Cetero To Use Existing Cash Management System, Existing Bank Accounts And Existing Business Forms, (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers, (C) Deeming Intercompany Obligations As Administrative Expenses, And (D) Waiving Requirements Of Section 345(b) Of The Bankruptcy Code*
- *Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363(b), 503(b), 507(a)(4). And 507(a)(8), Bankruptcy Rules 6003 And 6004, (A) Authorizing Cetero to (I) Pay Certain Employee Compensation And Benefits And (II) Maintain And Continue Such Benefits And Other Employee-Related Programs And (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations*
- *Motion For Order, Pursuant To Bankruptcy Code Sections 105(a) And 363(b) And Bankruptcy Rules 6003 And 6004, (A) Authorizing Cetero To (I) Continue Workers’ Compensation Program And Insurance Programs And (II) Pay All Obligations In Respect Thereof And (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations*
- *Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363(b) And 507(a)(8) And Bankruptcy Rules 6003 And 6004, (A) Authorizing Cetero To Pay Prepetition Taxes And Fees And (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations*
- *Motion For Interim And Final Orders, Pursuant To Bankruptcy Code Sections 105(a) And 366 And Bankruptcy Rules 6003 And 6004, Determining Adequate Assurance Of Payment For Future Utility Services*
- *Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363(b), 1107(a) and 1108, And Bankruptcy Rules 6003 And 6004, (A) Authorizing Payment Of Certain Prepetition (I) Shipping And Delivery Charges For Goods And Transit And (II) Mechanics’ Lien Charges, And (B) Authorizing and*

this First Day Declaration are based upon my personal knowledge of Cetero's operations and finances, information learned from my review of relevant documents, information supplied to me by other members of Cetero's management and Cetero's advisors, or my opinion based on my experience, knowledge, and information concerning Cetero's operations and financial condition. I am authorized to submit this First Day Declaration on behalf of Cetero, and, if called upon to testify, I could and would testify competently to the facts set forth herein.

PRELIMINARY STATEMENT

4. As set forth more fully below and as manifested in the First Day Motions, Cetero comes to this Court with a fully developed strategy to effect a sound, practical restructuring with the support of its prepetition secured lenders. Indeed, in the months leading up to the Petition Date, Cetero has negotiated and executed (a) a definitive postpetition financing agreement, thus ensuring liquidity during the Chapter 11 Cases, (b) a fully-baked sale process supported by the prepetition secured lenders and subject to higher or otherwise better bids in a competitive, market-tested auction, and (c) a comprehensive plan support agreement and wind-down strategy that is intended to satisfy administrative claimants and priority unsecured claimants pursuant to a chapter 11 plan, notwithstanding Cetero's significant prepetition secured obligations.

5. Given the objective economic reality presented in these Chapter 11 Cases, Cetero submits that these agreements collectively represent a significant achievement, and moreover

Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations

- *Motion For Interim And Final Orders, Pursuant To Bankruptcy Code Sections 105(a), 363(b), 1107(a) And 1108, Authorizing Performance Of Prepetition Bioanalytical Rework*
- *Application For Order, Pursuant To Section 156(c) Of Title 28 Of The United States Code, Bankruptcy Code Section 105(a), and Local Rule 2002-1(f), Authorizing Retention And Employment Of Epiq Bankruptcy Solutions, LLC As Notice And Claims Agent Nunc Pro Tunc To The Petition Date*
- *Motion For Interim And Final Orders, (I) Authorizing Cetero (A) To Obtain Postpetition Secured Financing Pursuant To 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) And 364(e) And (B) To Utilize Cash Collateral Pursuant To 11 U.S.C. § 363, (II) Granting Adequate Protection To Prepetition Secured Parties Pursuant To 11 U.S.C. §§ 361, 362, 363 And 364, And (III) Scheduling Final Hearing Pursuant To Bankruptcy Rules 4001(b) And (c)*

present a reasonable roadmap to allow Cetero's prepetition obligations to be expeditiously restructured while maximizing the value of Cetero's estates for the benefit of its creditors.

6. Headquartered in Cary, North Carolina, Cetero is a leading provider of early phase clinical research services. Cetero owns and operates clinical research facilities and bioanalytical laboratories in North Dakota, Florida, Missouri, Texas, and, through its Canadian affiliates, in Ontario, Canada. Presently, Cetero employs approximately 1,192 employees. For the two months ending February 29, 2012, Cetero had revenues of approximately \$11 million on a consolidated basis. As of February 29, 2012, Cetero's unaudited quarterly consolidated financial statements reflected assets with a book value totaling approximately \$205 million and liabilities totaling approximately \$248 million.

7. Specifically, Cetero is a contract research organization that provides testing services for name-brand pharmaceutical and generic drug companies. Data generated by Cetero is included in new drug and other applications that pharmaceutical companies submit to the U.S. Food and Drug Administration (the "FDA"). Cetero's testing services include tests for drug interaction, bioequivalence, and cardiac safety. On behalf of its customers, Cetero recruits individuals to participate in studies to test the customer's pharmaceutical product. Cetero administers the pharmaceutical product to these study participants and extracts or retains each participant's requisite bodily fluids or substances to test the product's effectiveness. Cetero submits the results of these tests to its clients for inclusion in their submissions to the FDA.

8. Cetero's primary goal is to maximize the recovery of all creditor constituencies through execution of a chapter 11 sale process. To this end, Cetero has reached an agreement with certain Prepetition First Lien Lenders and Prepetition Second Lien Lenders (each as defined herein) for the sale of substantially all of Cetero's assets through a stalking horse sale and credit

bid (the “Stalking Horse Agreement”). In addition, certain Prepetition First Lien Lenders have agreed to provide Cetero with a \$15 million postpetition credit facility (the “DIP Facility”) to provide Cetero with sufficient working capital during the restructuring process. Evidencing their support of the Sale Agreement, certain of Cetero’s Prepetition First Lien Lenders (in their capacity as such and as DIP Lenders) and Prepetition Second Lien Lenders have executed a sale support agreement (the “Sale Support Agreement,” substantially in the form annexed hereto as Exhibit A) by which the counterparties to the Sale Support Agreement have agreed to support Cetero’s sale efforts. The Sale Support Agreement also outlines the terms and conditions of the Stalking Horse Agreement and the DIP Facility. Through these and other efforts, Cetero believes that it will successfully maximize the recoveries of its creditors.

GENERAL BACKGROUND

Cetero’s Business And Overview

9. Cetero is the leading full-service contract research organization in North America. Through project management, clinical trials, bioanalytical analysis services, data management, statistical analysis, and report writing, Cetero provides pharmaceutical and biotechnology companies with an integrated means of managing and conducting clinical trials for the development of drugs and medical services.

10. Cetero operates five leading state-of-the-art clinical pharmacology facilities throughout North America, with approximately 1,400 patient beds, as well as two bioanalytical laboratories to service its diverse customer base. Among Cetero’s over 200 customers are many of the world’s largest and well known generic, large pharmaceutical, and small-to-midsized biotechnology companies.

11. Cetero’s Canadian affiliates, Allied Research Holdings Inc., Allied Research International Inc., and BA Research Co., (the “Canadian Subsidiaries”) are debtors in the

Chapter 11 Cases. To protect against the risk of creditors seeking to enforce their rights against the Canadian Subsidiaries in Canada, Holdings, as proposed foreign representative, filed or will file recognition proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") and the proceedings, the "CCAA Proceedings") with the Ontario Superior Court of Justice (Commercial List) (the "Ontario Court") seeking recognition in Canada of the Chapter 11 Cases as foreign main proceedings.

Cetero's Prepetition Capital Structure

12. Holdings is a holding company that directly or indirectly owns operating entities in the United States and Canada.

13. Cetero has approximately \$185 million in funded indebtedness and related obligations, comprised of:

- a term facility and a revolving facility under that certain Third Amended and Restated Credit Agreement, dated as of March 14, 2007 (as amended, supplemented, modified, or amended and restated from time to time, the "Prepetition First Lien Credit Agreement"), by and among PRACS Institute, Ltd. ("PRACS") as U.S. borrower, Allied Research Holdings Inc. ("Allied") as Canadian borrower, and Freeport Financial LLC ("Freeport") as U.S. agent, Bank of Montreal, as Canadian agent,³ and other lenders (collectively, the "Prepetition First Lien Lenders");
- a term facility under that certain Second Lien Credit Agreement, dated as of October 17, 2006 (as amended, supplemented, modified, or amended and restated from time to time, the "Prepetition Second Lien Credit Agreement"), by and among PRACS as borrower, Freeport as agent for the lenders, and other lenders (collectively, the "Prepetition Second Lien Lenders");
- unsecured indebtedness owed to (i) CMS/KRG Capital Fund III, L.P. and (ii) KRG Capital Fund III, L.P. and certain of its affiliates, which indebtedness was used to fund the purchase of a building in San Antonio, Texas; and
- an approximately \$26 million financing of a building owned by PRACS in Fargo, North Dakota.

³ Under the Prepetition First Lien Credit Agreement, the term loans were divided between a Canadian and a U.S. principle borrower. Thus, as set forth more fully below, the Prepetition First Lien Credit Agreement consists of two term loans and a revolver.

A. The Prepetition First Lien Credit Agreement

14. As of the Petition Date, approximately \$116 million is outstanding under the Prepetition First Lien Credit Agreement, comprised of approximately \$75 million in principal amount outstanding under the term loan provided to PRACS (the U.S. term loan) and approximately \$35.8 million in principal amount outstanding under the term loan provided to Allied (the Canadian term loan). PRACS's obligations under the Prepetition First Lien Credit Agreement are guaranteed by Holdings, each of Holdings' U.S. subsidiaries, and BA Research Co. (an indirect subsidiary of Holdings) (collectively, the "U.S. Guarantors"), and are secured by a senior secured first lien on substantially all of the assets, capital stock, and cash collateral (collectively, the "Property") of the U.S. Guarantors and of PRACS. In addition, Allied's obligations under the Prepetition First Lien Credit Agreement are guaranteed by each of Allied Research International Inc. and BA Research Co. (collectively, the "Canadian Guarantors") and are secured by a senior secured first lien on the Property of the Canadian Guarantors and of Allied. The Prepetition First Lien Credit Agreement also provides for, among other things, a letter of credit subfacility, but no letters of credit were issued and outstanding as of the Petition Date, and the letter of credit subfacility has expired pursuant to the terms of the Prepetition First Lien Credit Agreement.

15. Under the original Prepetition First Lien Credit Agreement, the revolver component of the agreement has matured and the commitments thereunder have terminated. On October 13, 2011, however, prior to such termination, the Prepetition First Lien Credit Agreement was amended to advance to PRACS a revolving loan in the amount of \$5 million (the "Prepetition Revolving Credit Advance"). Pursuant to such amendment, Cetero has access to such funds to allow Cetero to continue its day-to-day operations and perform certain

bioanalytical rework (as discussed more fully herein) subject to the consent of certain of the Prepetition First Lien Lenders.

B. The Prepetition Second Lien Credit Agreement

16. Cetero's obligations under the Prepetition Second Lien Credit Agreement purport to be secured by a junior second lien on the Property of PRACS, Holdings, Holdings' U.S. subsidiaries and of BA Research Co. As of the Petition Date, approximately \$25 million in principal amount was outstanding under the Prepetition Second Lien Credit Agreement. PRACS is the primary obligor under the Prepetition Second Lien Credit Agreement, and Holdings, each of Holdings' U.S. subsidiaries, and BA Research Co. are guarantors under the Prepetition Second Lien Credit Agreement.

C. Other Indebtedness

17. On or about January 2009, debtor Diabetes and Glandular Disease Research Associates, Inc. ("DGD") borrowed approximately \$13 million from KRG Capital Fund III, L.P. and certain of its affiliates and CMS/KRG Capital Fund III, L.P. (collectively, the "Building Lenders") to fund the purchase by DGD of a building in San Antonio, Texas, which was constructed on ground leased from Christus Santa Rosa Health Care Corporation, a Texas non-profit corporation. The term of the ground lease expires in July 2056, subject to one 50-year renewal term. In connection therewith, DGD issued promissory notes to the Building Lenders dated January 22, 2009 (as amended, supplemented, modified, or amended and restated from time to time, the "Building Loan Notes"). As of the Petition Date, the outstanding principal amount of the Building Loan Notes, including capitalized interest, is approximately \$18 million. In connection with the issuance of the Building Loan Notes, Holdings issued warrants to the Building Lenders to purchase common stock of Holdings.

D. Capital Leases

18. Cetero owes payments totaling approximately \$26 million under an arrangement between PRACS and JDC Development, LLC, for the financing of a building in Fargo, North Dakota. This amount is included in Cetero's financial statements as a capital lease.

E. Intercreditor Agreement

19. On March 14, 2007, the agent under the Prepetition First Lien Credit Agreement and the agent under the Prepetition Second Lien Credit Agreement entered into an Amended and Restated Intercreditor Agreement (as amended, supplemented, modified, or amended and restated from time to time, the "Intercreditor Agreement"), which governs the relative contractual rights of the Prepetition First Lien Lenders and the Prepetition Second Lien Lenders. Among other things, the Intercreditor Agreement provides that claims arising under the Prepetition Second Lien Credit Agreement are subordinated to amounts under the Prepetition First Lien Credit Agreement and, under certain circumstances, certain additional "first lien debt" incurred in a bankruptcy proceeding or otherwise.

Events Leading To Chapter 11

20. In late April 2009, Cetero learned that six research chemists at its Houston, Texas bioanalytical laboratory had recorded inaccurate date and time data purportedly to obtain additional compensation through weekend pay and pay for hours that the chemists did not actually work. The Quality Assurance Director of Cetero's Houston facility, Ronald E. Antes, immediately began investigating the allegations and developed an investigation plan. And, upon learning of the chemists' practices, Cetero immediately initiated an internal investigation to assess the situation. Shortly thereafter, Cetero hired an independent third party, Bioclinical Research Solutions ("BCRS") to provide consultation on Cetero's investigation plan and to perform an independent third party review and investigation regarding allegations of potential

misconduct at Cetero's Houston facility. BCRS immediately commenced its investigation with the full cooperation of Cetero and developed and implemented a "Corrective Preventative Action Plan" (the "CAPA"). Cetero proactively self-reported the findings of these investigations to the FDA.

21. After Cetero completed its internal investigation in June 2009, it delivered a notification letter to the FDA's District Office in Dallas. Cetero continued to investigate and thereafter kept the FDA apprised of the progress of its internal investigation and BCRS's third-party investigation on an almost monthly basis. Additionally, Cetero implemented several corrective and preventative actions to assure the continued integrity of its testing services, and the measures Cetero implemented generally have been adopted by the contract research organization industry.

22. Despite all of Cetero's efforts and without warning, on July 26, 2011, the FDA sent an untitled letter (the "July 2011 FDA Letter") to Cetero in which the FDA expressed concern regarding the veracity of studies that had been conducted at Cetero's Houston bioanalytical laboratory between April 2005 and June 2010. In the July 2011 FDA Letter, the FDA stated that it considered Cetero's investigations to be inadequate to address its concerns regarding the chemists' timekeeping practices and their practices for preparing samples. The FDA further expressed concerns regarding the effect these practices may have had on the reliability of affected clinical studies (the "Affected Studies"). In press releases, however, the FDA has stated that concerns related to data integrity are unlikely to impact the overall safety and efficacy of drugs already on the market and that there is no evidence of problems with the safety, quality, purity, or potency of drugs it already has approved. In addition, the FDA has not made any allegations of fraud against Cetero.

23. Since its receipt of the July 2011 FDA Letter, Cetero has continued its open dialogue with the FDA to address the FDA's stated concerns. Indeed, at Cetero's request, executives from Cetero met with the FDA on September 22, 2011, to discuss procedures for addressing the FDA's concerns regarding the accuracy of the data in the Affected Studies. Prior to and immediately following the meeting, Cetero provided information and full cooperation to the FDA in the form of letter responses to FDA questions and data requests and information regarding the progress of the investigation, and full access to Cetero's laboratory facilities, both in Houston and elsewhere. Cetero has had follow-up meetings and conference calls with the FDA, and this dialogue continues.

24. As a result, the FDA requires that certain clinical studies that may have been affected by the research chemists' inaccurate time recordings and by their preparation of samples must be repeated to confirm the data results in those studies (the "Rework"). The FDA does not require that Cetero perform the Rework; rather, the requirement applies to certain of Cetero's customers. The scope of the Rework, however, has been greatly mitigated by Cetero's efforts and transparency from the outset. Initially the FDA mandated retesting for 100% of the samples for all studies conducted during the April 2005 to June 2010 time period or the complete repetition of such studies. However, after the FDA conducted site visits of Cetero's facilities, met with Cetero, and reviewed further documentation submitted by Cetero, the FDA reduced the time period of studies at issue. Studies conducted between September 1, 2009 and June 15, 2010 have been accepted without any reanalysis whatsoever. Subject to the proposal discussed immediately below, Rework will only be required for Affected Studies conducted from April 1, 2005 to February 28, 2008, due to the FDA's acceptance of the accuracy of Cetero's electronic recordkeeping system, audit trail, and redundancy procedures that Cetero has implemented. For

Affected Studies conducted from March 1, 2008 through August 31, 2009, the FDA is presently considering a proposal for auditing Cetero's electronic data records by independent auditors. Under the proposal, Rework will not be required for these studies unless irregularities are detected in the audits or documentation is incomplete.

25. The issuance of the July 2011 FDA Letter did, however, cause Cetero's liquidity position to become severely constrained. The FDA-mandated Rework will result in considerable costs to Cetero, and, in the interim, the lender parties to the Prepetition First Lien Credit Agreement and Prepetition Second Lien Credit Agreement declared an event of default due to the apparent violation of applicable health laws and regulations.

26. In addition, Cetero developed a restructuring plan in 2010 to more appropriately align its cost structure with its revenue projections after evaluating its new business pipeline and existing project backlog. In early 2010, Cetero exited one leased facility that comprised approximately 50,000 square feet of clinical laboratory facility space and implemented a corresponding reduction in its workforce. Cetero sought alternatives for the vacated facility space. Additionally, Cetero implemented a broad reduction in workforce to better align the business cost structure.

27. Against this backdrop, Cetero commenced analysis of opportunities for a broader financial restructuring that would provide Cetero with the necessary flexibility to continue or to sell its business to maximize creditor recoveries. To that end, Cetero retained Carl Marks Advisory Group ("Carl Marks") as restructuring advisors to initiate discussions with Cetero's constituents regarding: (a) a possible comprehensive restructuring; and (b) financial alternatives for improving Cetero's balance sheet. In addition, Cetero retained Jefferies & Company, Inc. ("Jefferies") to provide investment banking services and to coordinate the potential sale of

substantially all of Cetero's assets through an auction supported by a stalking horse bidder.

Cetero continued to rely on its existing counsel, Paul Hastings LLP, to provide legal counsel during the restructuring and Stikeman Elliott LLP to provide legal counsel regarding aspects of Canadian law that impact the restructuring.

28. Beginning October 7, 2011, Jefferies conducted an extensive marketing process (the "Prepetition Marketing Process"), focused on identifying strategic and financial buyers for the Seller Assets. The Prepetition Marketing Process consisted of three phases to identify potential buyers. Jefferies provided Cetero and its board of directors with continuous updates during the course of the Prepetition Marketing Process and actively sought and received authorization from the board regarding continuation of the Prepetition Marketing Process at the conclusion of each phase.

29. Thirty-six parties (seventeen strategic and nineteen financial) were initially contacted as part of the Prepetition Marketing Process, representing those parties who were believed to have potential interest in a transaction given their experience and knowledge of Cetero and its business. All of these parties received an investment summary based on public information and were invited to enter into a non-disclosure agreement for additional information. Nineteen of these parties subsequently executed a non-disclosure agreement with Cetero, all of which received a confidential information package. Six parties submitted preliminary indications of interest, which included ranges of value for Cetero's assets (on an enterprise and stand-alone basis).

30. All six of these parties were invited to participate in a second phase of the Prepetition Marketing Process, which included: (a) management presentations at Cetero's headquarters in Cary, North Carolina; (b) site visits to facilities of their choosing; (c) access to a

confidential virtual data room; (d) access to management and Cetero's advisors; and (e) any additional due diligence materials reasonably requested (collectively, the "Diligence Information"). Jefferies was significantly involved in facilitating due diligence activities, including creating management presentations, assembling data requests, attending meetings and presentations, and answering specific requests by potential buyers. The Diligence Information provided prospective buyers with detailed information on Cetero's business, strategy, market position, growth opportunities, and historical and projected financial performance.

31. Three non-binding bids were subsequently received, comprised of two bids for the entire enterprise (excluding certain assets) and a bid for only one of Cetero's facilities. Jefferies continued to negotiate with the three parties, while providing Cetero and the board with updates.

32. Two of the remaining parties requested exclusivity to formulate a final, binding proposal. Cetero, in consultation with its advisors, believed exclusivity was appropriate and necessary to obtain a firm and binding bid, provided that the Prepetition First Lien Lenders would be permitted to continue with their due diligence. After consulting with its advisors, Cetero selected one of the two parties to receive the requested exclusivity based on who it believed would provide the highest or otherwise best offer and greatest certainty of closing a transaction. During the period of exclusivity, the Prepetition First Lien Lenders were permitted to perform due diligence and consider submission of a credit bid. Both the third party and the Prepetition First Lien Lenders engaged in further due diligence, which included site visits, meetings with management, and continued review of data room materials. The third party engaged numerous financial, legal and industry professionals to further refine its bid. Notwithstanding these efforts, the third party determined not to submit a final binding bid at that time.

33. Discussions continued with the Prepetition First Lien Lenders, who indicated their willingness to enter into an asset purchase agreement at a higher amount through a credit bid than was indicated by the third party. The Prepetition First Lien Lenders also agreed to provide committed debtor-in-possession financing to fund the Chapter 11 Cases, allow for Cetero to conduct an appropriate marketing process postpetition, and provide for a wind-down of the estates. With the approval of the board, Cetero's advisors engaged with the Prepetition First Lien Lenders to negotiate terms of a credit bid and debtor-in-possession financing facility whereby the Prepetition First Lien Lenders would be designated the stalking horse purchaser for Cetero's assets subject to higher or otherwise better offers to be determined through a postpetition marketing process.⁴

Support For Relief Requested In First Day Pleadings

34. Concurrently with the filing of its chapter 11 petitions, Cetero has filed a number of First Day Motions seeking relief that Cetero believes is necessary to enable it to operate with minimal disruption and loss of productivity. Cetero requests that the relief requested in each of the First Day Motions be granted as critical elements in ensuring a smooth transition into chapter 11.

35. I have reviewed each of the First Day Motions referenced below. The facts stated therein are true and correct to the best of my belief with appropriate reliance on corporate officers and advisors. The relief sought in each of the First Day Motions is necessary to enable to Cetero to continue operations with minimal disruption and constitutes a critical element in the

⁴ Contemporaneously herewith, Cetero is filing its *Motion For: (A) Order (I) Approving Bidding Procedures In Connection With Sale Of Assets Of Cetero, (II) Approving Payment Of Break-Up Fee And Expense Reimbursement, (III) Approving Form And Manner Of Notice, (IV) Scheduling Auction And Sale Hearing, And (IV) Granting Related Relief, And (B) Order (I) Approving Purchase Agreement, (II) Authorizing Sale Free And Clear Of All Liens, Claims, Encumbrances, And Other Interests, And (III) Granting Related Relief.*

successful implementation of Cetero's effort to maximize the recovery of its creditors. The following discussion presents a summary of the First Day Motions. The facts set forth in the First Day Motions are incorporated herein in their entirety.

A. Motion For Order, Pursuant To Bankruptcy Code Section 302 And Bankruptcy Rule 1015, Directing Joint Administration Of Related Chapter 11 Cases

36. Cetero requests entry of an order directing joint administration (the "Joint Administration Motion") of the Chapter 11 Cases for procedural purposes only, pursuant to Bankruptcy Rule 1015(b). Specifically, Cetero requests that the Court maintain one file and one docket for all of the Chapter 11 Cases under the case of Contract Research Solutions, Inc. and also requests that an entry be made on the docket of each of Cetero's Chapter 11 Cases, other than Contract Research Solutions, Inc., to reflect the joint administration of the Chapter 11 Cases.

37. Given the integrated nature of Cetero's operations, joint administration of the Chapter 11 Cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings, and orders that arise in the Chapter 11 Cases jointly will affect each of the Cetero entities that are part of the Chapter 11 Cases. The entry of an order directing joint administration of the Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections and will allow the U.S. Trustee and all parties in interest to monitor the Chapter 11 cases with greater ease and efficiency.

38. I believe the relief requested in the Joint Administration Motion is in the best interests of Cetero, its estates, and all parties-in-interest and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Joint Administration Motion should be approved.

B. Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363, And 1505 And Bankruptcy Rule 6004, Authorizing Contract Research Solutions, Inc. To Act As Foreign Representative Of Cetero

39. Cetero requests entry of an order authorizing Holdings to act as the Foreign Representative on behalf of Cetero's estates in the CCAA Proceedings (the "Foreign Representative Motion"). Cetero has operations in Canada in addition to its U.S. operations. In connection with the filing of the Chapter 11 Cases, Holdings will initiate proceedings under the CCAA before the Ontario Court. For the Ontario Court to recognize the Chapter 11 Cases as a "foreign main proceeding" so that the CCAA Proceedings may be coordinated with the Chapter 11 Cases, Holdings must make a showing to the Ontario Court that it has been authorized to act as the Foreign Representative of Cetero's estates.

40. I believe that the relief requested in the Foreign Representative Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest, and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero I respectfully submit that the Foreign Representative Motion should be approved.

C. Motion For Interim And Final Orders, Pursuant To Bankruptcy Code Sections 105(a), 363(c)(1), 364(a), 364(b), and 503(b)(1), And Bankruptcy Rules 6003 and 6004, (A) Authorizing Cetero To Use Existing Cash Management System, Existing Bank Accounts And Existing Business Forms, (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers, (C) Deeming Intercompany Obligations As Administrative Expenses, And (D) Waiving Requirements Of Section 345(b) Of Bankruptcy Code

41. Cetero requests entry of interim and final orders (a) authorizing Cetero to continue to use its existing cash management system, its existing bank accounts and existing business forms, (b) authorizing and directing banks and financial institutions to honor and process checks and transfers, (c) deeming all intercompany obligations arising after the Petition

Date as administrative expenses, and (d) waiving the requirements of section 345(b) of the Bankruptcy Code (the “Cash Management Motion”).

42. In the ordinary course of business, Cetero utilizes an integrated cash management system to collect, transfer, and disburse funds generated by their operations and maintain current and accurate accounting records of all daily cash transactions. If Cetero were required to comply with the U.S. Trustee Guidelines fully and literally, the burden of opening new accounts, revising cash management procedures, instructing customers to redirect payments, and the immediate ordering of new checks with a “Debtor in Possession” legend would disrupt Cetero’s business at a critical time. Further, authorizing and directing Banks to receive, process, honor, and pay, to the extent of funds on deposit, any and all such checks or electronic transfers without further order of the Court will maintain functioning of Cetero’s cash management system. According intercompany obligations administrative expense priority, moreover, will ensure that each individual Cetero entity will not fund the operations of an affiliated entity without a right to repayment.

43. The relief requested in the Cash Management Motion is vital to ensuring Cetero’s seamless transition to postpetition operations. Authorizing Cetero to maintain its cash management system will avoid many of the possible disruptions and distractions that could divert attention from more critical matters during the initial days of the Chapter 11 Cases.

44. I believe the relief requested in the Cash Management Motion is in the best interests of Cetero, its creditors, and all other parties in interest and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Cash Management Motion should be approved.

D. Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363(b), 503(b), 507(a)(4), 507(a)(8) And Bankruptcy Rules 6003 And 6004, (A) Authorizing Cetero to (I) Pay Certain Employee Compensation And Benefits And (II) Maintain And Continue Such Benefits And Other Employee-Related Programs And (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations

45. Cetero requests entry of an order authorizing Cetero, in its sole discretion, to pay certain employee compensation and benefits, honor such obligations, and continue programs, in the ordinary course of business, relating to its Employee Obligations (the “Employee Wages Motion”). In the Employee Wages Motion, Cetero also seeks Court authorization and direction to banks and financial institutions to honor and process checks and transfers related to such obligations.

46. As of the Petition Date, Cetero employed approximately 1,192 employees in the United States and Canada. Although Cetero has paid its wage, salary, and other obligations in accordance with its ordinary compensation schedule prior to the Petition Date, as of the date hereof, certain prepetition obligations for employees nevertheless may be due and owing.

47. The majority of Cetero’s employees rely exclusively on their compensation, benefits, and reimbursement of expenses to satisfy their daily living expenses. Consequently, these employees will be exposed to financial difficulties if Cetero is not permitted to honor obligations for unpaid compensation, benefits, and reimbursable expenses. Moreover, if Cetero is unable to satisfy such obligations, employee morale and loyalty will be jeopardized at a time when employee support is critical to Cetero. Cetero relies on highly skilled workers to meet its customer demands. In the absence the relief requested, Cetero believes its employees may seek alternative employment opportunities, perhaps with Cetero’s competitors, thereby hindering Cetero’s ability to meet customer obligations and likely diminishing creditors’ confidence in Cetero. The loss of valuable, skilled employees and the recruiting efforts that would be required

to replace such employees would be a substantial and costly distraction at a time when Cetero should focus on stabilizing its operations and executing its restructuring strategy.

48. I believe the relief requested in the Employee Wages Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Employee Wages Motion should be approved.

E. Motion For Order, Pursuant To Bankruptcy Code Sections 105(a) And 363(b) And Bankruptcy Rules 6003 And 6004, (A) Authorizing Cetero To (I) Continue Workers' Compensation Program And Insurance Programs And (II) Pay All Obligations In Respect Thereof And (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations

49. Cetero requests entry of an order authorizing Cetero, in its sole discretion, to (a) continue the Insurance Programs that were in effect on or prior to the Petition Date and (b) pay all undisputed prepetition and postpetition obligations for the Insurance Programs, including, without limitation, premiums, excess, retrospective adjustments, administrative and broker's fees, deductibles, and other fees and costs related thereto and any fees owed to the Insurance Service Provider (collectively, the "Insurance Obligations" and the motion, the "Insurance Motion"). Cetero further requests that the Court authorize and direct financial institutions to receive, honor, process, and pay, to the extent of funds on deposit, any and all checks drawn or electronic fund transfers that Cetero requests pertaining to the Insurance Programs or the Insurance Obligations.

50. Cetero's insurance policies are essential to the preservation of the value of Cetero's business, properties, and assets. In many cases, insurance coverage such as that provided by the Insurance Programs is required by diverse regulations, laws, and contracts that govern Cetero's commercial activities. Failure to make required payments could have disastrous

effects, and, indeed, termination of the Insurance Programs due to any such non-payment likely would deprive Cetero of its ability under state laws to conduct business.

51. I believe that the relief requested in the Insurance Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest, and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Insurance Motion should be approved.

F. Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363(b) And 507(a)(8) And Bankruptcy Rules 6003 And 6004, (A) Authorizing Cetero To Pay Prepetition Taxes And Fees And (B) Authorizing And Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations

52. Cetero requests an order authorizing Cetero to pay any Taxes and Fees that, in the ordinary course of business, accrued or arose before the Petition Date (the "Taxes and Fees Motion"). In the Taxes and Fees Motion, Cetero also requests that the Court authorize and direct banks and financial institutions to honor and process checks and transfers related to such payments. In the ordinary course of business, Cetero incurs or collects certain Taxes and Fees and remits such Taxes and Fees to various authorities. Cetero must continue to pay its Taxes and Fees to continue operating in certain jurisdictions and to avoid costly disruptions to the Chapter 11 Cases. Specifically, Cetero's failure to pay its Taxes and Fees could affect adversely Cetero's business operations because certain authorities could suspend Cetero's operations, file liens, or seek to lift the automatic stay. In addition, certain taxing authorities may take precipitous action against Cetero's directors and officers for unpaid Taxes that undoubtedly would distract such individuals from their duties related to Cetero's restructuring.

53. I believe the relief requested in the Taxes and Fees Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest, and will enable Cetero to

continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Taxes and Fees Motion should be approved.

G. Motion For Interim And Final Orders, Pursuant To Bankruptcy Code Sections 105(a) And 366 And Bankruptcy Rules 6003 And 6004, Determining Adequate Assurance Of Payment For Future Utility Services

54. Cetero requests entry of interim and final orders: (a) prohibiting Cetero's Utility Companies from altering, refusing, discontinuing Utility Services to Cetero, or discriminating against Cetero as a result of the commencement of the Chapter 11 Cases or the existence of unpaid prepetition invoices, including the making of demands for security deposits or accelerated payment terms; (b) approving Cetero's proposed form of adequate assurance for the Utility Companies; (c) establishing procedures for resolving objections thereto by Utility Companies; and (d) scheduling a final hearing to consider the relief requested herein on a final basis (the "Utilities Motion").

55. Cetero uses electricity, natural gas, water, telephone, waste disposal, sewer and other similar services in the ordinary course of business. Uninterrupted utility services are essential to Cetero's ongoing operations. Indeed, any interruption of utility services, even for a brief period of time, would affect negatively Cetero's operations, customer relationships, revenue, and profits. Such interruption also would jeopardize Cetero's reorganization strategy and, ultimately, creditor recoveries. It is, therefore, critical that utility services continue uninterrupted during the Chapter 11 Cases.

56. I believe and am advised that Cetero's proposed offer of adequate assurance by creating and maintaining the Utility Deposit Account is necessary and appropriate under the circumstances because if such procedures were not approved, Cetero could be forced to address numerous requests by the Utility Companies in a disorganized manner during the critical first weeks of the Chapter 11 Cases. Moreover, a Utility Company could blindside Cetero by

unilaterally deciding—on or after the 30th day following the Petition Date—that it is not adequately assured of future performance and discontinuing service or making an exorbitant demand for payment to continue service. Discontinuation of Utility Services could shut down operations, which could jeopardize a successful sale process or reorganization in the Chapter 11 Cases.

57. I believe that the relief requested in the Utilities Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest, and will enable Cetero to continue to operate its business without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Utilities Motion should be approved

H. Motion For Order, Pursuant To Bankruptcy Code Sections 105(a), 363(b), And 1107, And Bankruptcy Rules 6003 And 6004, (A) Authorizing Payment Of Certain Prepetition (I) Shipping And Delivery Charges For Goods And Transit And (II) Mechanics' Lien Charges, And (B) Authorizing and Directing Banks And Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations

58. Cetero requests entry of an order authorizing Cetero to (a) pay prepetition shipping and delivery charges to Shippers and Warehousemen and (b) pay Mechanics and discharge any liens such mechanics may have on Cetero's property (the "Shippers Motion"). In the ordinary course of business, Cetero relies on shippers and warehousemen, to supply, deliver, or store goods to facilitate its operation as a contract research organization. Cetero also does business with a number of vendors who potentially could assert mechanic's liens and materialman's liens against Cetero.

59. Without the relief granted in the Shippers Motion, certain Shippers may refuse to ship or transport goods (or recall such shipments), certain vendors may refuse to supply essential products and supplies, and certain servicers and repairmen may assert liens against Cetero and its property for amounts Cetero owes to those vendors. Failure to receive these goods and services

could cause serious disruptions to the continuous and timely flow of products and supplies essential to the Cetero's business.

60. I believe that the relief requested in the Shippers Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest, and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Shippers Motion should be approved.

I. Motion For Interim And Final Orders, Pursuant To Bankruptcy Code Sections 105(a), 363(b), 1107(a) And 1108, Authorizing Performance Of Prepetition Bioanalytical Rework

61. Cetero requests the entry of interim and final orders authorizing, but not directing, Cetero to perform bioanalytical rework of certain clinical studies that may have been affected by the inaccurate time recordings of research chemists at its Houston, Texas, bioanalytical laboratories (the "Rework Motion"). Without completing certain of the rework, Cetero may be unable to signal to customers that Cetero can and will meet ongoing customer needs for clinical testing. Completion of certain Rework pursuant to the sound exercise of Cetero's business judgment is vital to Cetero's continued operations and the maintenance of critical customer goodwill as well as to maximize recoveries for all creditors and preserve the going concern value of Cetero's estates.

62. I believe that the relief requested in the Rework Motion is in the best interests of Cetero's estates, its creditors, and all other parties in interest, and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Rework Motion should be approved.

J. Application For Order, Pursuant To Section 156(c) Of Title 28 Of The United States Code, Bankruptcy Code Section 105(a), and Local Rule 2002-1(f), Authorizing Retention And Employment Of Epiq Bankruptcy Solutions, LLC As Notice And Claims Agent *Nunc Pro Tunc* To The Petition Date

63. Cetero requests entry of an orders authorizing Cetero to retain and employ Epiq Bankruptcy Solutions, LLC (“Epiq”) as notice, claims, and balloting agent pursuant to 28 U.S.C. § 156(c) in connection with the Chapter 11 Cases, in accordance with the terms and conditions set forth in the Services Agreement (together, the “Epiq Notice and Claims Agent Retention Application”). Although the Clerk of the Court ordinarily would serve notices on Cetero’s creditors and other parties in interest and administer claims against Cetero, the Clerk’s Office may not have the resources to undertake such tasks, especially in light of the size of Cetero’s creditor body and the tight timelines that frequently arise in chapter 11 cases. Further, Epiq has developed efficient and cost effective methods to handle properly the voluminous mailings associated with the noticing, claims processing, and balloting portions of chapter 11 cases and to manage administrative tasks with respect to the hundreds of creditors, equity security holders, and other parties in interest that are expected to be involved in the Chapter 11 Cases. Retention of Epiq as notice and claims agent will help to ensure the orderly and fair treatment of creditors, equity security holders, and all parties in interest.

64. I believe that the relief requested in the Epiq Notice and Claims Agent Retention Application is in the best interests of Cetero’s estates, its creditors, and all other parties in interest, and will enable Cetero to continue to operate its business in chapter 11 without disruption. Accordingly, on behalf of Cetero, I respectfully submit that the Epiq Notice and Claims Agent Retention Application should be approved.

K. Motion For Interim And Final Orders, (I) Authorizing Cetero (A) To Obtain Postpetition Secured Financing Pursuant To 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) And 364(e) And (B) To Utilize Cash Collateral Pursuant To 11 U.S.C. § 363, (II) Granting Adequate Protection To Prepetition Secured Parties Pursuant To 11 U.S.C. §§ 361, 362, 363 And 364, And (III) Scheduling Final Hearing Pursuant To Bankruptcy Rules 4001(b) And (c)

65. Cetero requests entry of interim and final orders authorizing Cetero (a) to obtain postpetition financing, (b) to use cash Collateral, (c) to grant adequate protection to prepetition secured parties, and (d) to grant liens and superpriority claims (the “DIP Motion”). Cetero requires financing to fund the administration of the Chapter 11 Cases and implement the efficient, public process through which Cetero intends to sell its business as a going concern.

66. I believe that the postpetition financing is necessary to permit Cetero to effectuate Cetero's restructuring strategy. The funds obtained will afford Cetero the needed liquidity to obtain the highest and best recovery on account of its assets, and also conclude an orderly wind-down process. Without this financing, I believe Cetero may be forced to pursue alternative courses of action that I believe would not maximize the value of Cetero's assets. As such, I believe the proposed financing, and the terms of that financing, are reasonable and necessary. Further, the First Day Declaration, as it relates to the DIP Motion, is supplemented by a separate declaration filed contemporaneously herewith.

Conclusion

67. I believe approval of the relief requested in the First Day Pleadings is in the best interests of all stakeholders and respectfully request that the Court grant all relief requested in the First Day Pleadings and such other further relief as may be just.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct.

Dated: March 26, 2012
Cary, North Carolina

Contract Research Solutions, Inc.

By:

/s/ Michael T. Murren

Name: Michael T. Murren

Title: Chief Financial Officer