D R A I

GOING TO MARKET OPERATIONAL QOE

Atlantic Smiles Dental Group

Prepared for Atlantic Smiles Dental Group and its advisors

ENGAGEMENT ID
ENG-2026-A015

ENGAGEMENT STAGE
Going to Market (LOI executed)

PMS SYSTEM
Dentrix

DATA COVERAGE
Jul 1, 2024 to Jun 30, 2026 (T24)

DATE PREPARED
July 23, 2026

MEASUREMENT DATE
July 8, 2026 (PMS export)

SAMPLE · FICTIONAL ENGAGEMENT · ILLUSTRATIVE FIGURES

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This report documents patient-level recoverable assets and structural exposures evidenced in the practice's own practice management system (PMS) data as of the Measurement Date, in a form precise enough for the parties and their counsel to reference. It is not an audit, a financial quality of earnings review, a valuation, investment advice, or legal advice.

> **THE DRAI BOUNDARY**
>
> DRAI Consulting documents the assets; it does not structure the deal. Nothing in this report proposes, drafts, or recommends any contingent-payment provision, threshold, payment mechanic, or other deal term. Where the parties elect to negotiate a contingent-payment provision (commonly, an earn-out), the documentation herein is designed to serve as a factual reference; the structuring, drafting, and legal effect of any provision are matters exclusively for the parties and their respective counsel.

This sample document presents a fictional engagement on DRAI's standardised sell-side demonstration baseline. All practice data, personnel references, deal facts, and figures are illustrative. In a live engagement, every figure is drawn from the client practice's own PMS exports and written intake, per the Basis of Estimates in Appendix C.

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Defined Terms (Short Form)

Full glossary in Appendix E.

T12 / T24	Trailing twelve / twenty-four months ending June 30, 2026.
Documented Recoverable Asset	Uncaptured revenue evidenced in the PMS as of the Measurement Date, defined by re-runnable criteria, quantified at full fee and at expected cash.
Measurement Date	July 8, 2026: the PMS export date at which every asset cohort in this report was frozen.
Re-Measurement	Re-running the same PMS exports with the same filter definitions at a later date, by any party with PMS access.
Contractual Adjustments	Insurance write-offs: the difference between full-fee production and payor-contracted allowables.
Net Production	Full-fee production less contractual adjustments. The basis on which collections are measured.
Net Collection Ratio	Collections divided by net production. Applied to net production only, never to full-fee production.
Expected Cash Value at Full Capture	The collections expected if 100% of a documented asset is captured: full fee, less contractual adjustments at the blended rate, times the net collection ratio.
Structural Exposure	Revenue at risk from a structural condition (here, Provider Variance). Disclosed; never counted as a documented asset.

DOCUMENTED RECOVERABLE PRODUCTION · MODERATE

$1,143,000

Four documented assets, at full fee, frozen at the July 8, 2026 Measurement Date. Conservative: $682,000. Stated before contractual adjustments; see Section 5.1.

EXPECTED CASH VALUE AT FULL CAPTURE

$896,000

After the contractual write-off step (20.0% blended) and the 98.0% net collection ratio. Conservative: $535,000. Capture scenarios in Section 5.2: $358,000 to $717,000.

STRUCTURAL EXPOSURE DISCLOSED

($160,000)

Provider Variance production at risk, moderate (conservative $109,000). Excluded from every asset total; disclosed in Sections 4.4 and 7 with the founder-located overlap flagged.

Findings Summary

Atlantic Smiles Dental Group generates $13,280,000 in T12 full-fee production across six locations, converting to $10,412,000 in collections after $2,656,000 of contractual adjustments (20.0% blended) at a 98.0% net collection ratio. As of the July 8, 2026 Measurement Date, this report documents $1,143,000 of recoverable production (moderate scenario) across four patient-level assets sitting in the practice's PMS: Lapsed Recall ($410,000), Unscheduled Accepted Treatment ($289,000), No-Shows and Cancellations ($286,000), and New Patient Retention ($158,000). Each asset is documented with the cohort counts, the exact PMS report and filter definition it can be re-run from, its value chain from full fee to expected cash, and the basis of every estimate (Appendix C). Provider Variance is disclosed separately as a structural exposure of $160,000 in production at risk tied to the Founder's stated retirement window; it is not an asset and never sums into documented totals.

The engagement stage governs the framing. At LOI there is no runway to capture this uncaptured revenue before close: the assets transfer with the practice, capture is post-close execution, and the natural question is how the parties account for that value. This document exists so that question can be negotiated on documented facts rather than assertions, and so the acquirer's diligence team can reproduce every figure from the same exports.

BASIS OF ESTIMATES AND CONVERSION NOTE

Asset values are stated at full fee and converted to cash through two visible steps: contractual adjustments at the practice's actual 20.0% blended T12 rate (payor mix approximately 60% in-network PPO, 35% fee-for-service and out-of-network, 5% other), then the practice's 98.0% net collection ratio applied to net production. The net collection ratio is never applied to full-fee production. Cash is the primary lens at this stage because collections are directly observable in the PMS; EBITDA conversion appears as dual-lens context in Section 5.3 (industry-blended 55.0% beside a buyer-typical 35% to 40% range) without claiming the acquirer's economics.

Every figure carries one of three bases, disclosed in Appendix C: Tier 1 (derived from this practice's PMS exports), Tier 2 (stated by management or the seller's advisor in the written intake and Clarification Register), or Tier 3 (DRAI comparative estimate). No figure in this report is sourced to a third-party study. Section 5.4 stress-tests the contractual adjustment rate toward insurance-heavy terrain.

SCOPE OF THIS DOCUMENT

DRAI Consulting documents the assets; the parties and their counsel structure any provision. This report contains no proposed deal terms, no earn-out mechanics, and no legal advice. Section 6 defines the measurement and re-measurement protocol any party can execute; Appendix G describes, as reference material only, the contingent-payment structures commonly observed in the market.

Reconciling the headline figures: $1,143,000 of full-fee documented production converts to $896,000 of expected cash at full capture (write-off step at 20.0%, then the 98.0% net collection ratio); Section 5.2 states the cash realised at partial capture ($358,000 at 40%, $538,000 at 60%, $717,000 at 80%). The three figures are one asset base read at different depths of conversion and capture, not separate opportunities.

Asset Classification Matrix

CATEGORY	CLASS	FULL FEE (MOD.)	EXPECTED CASH (MOD.)	WHERE IT SITS IN THE PMS
4.1 Lapsed Recall	Documented Asset	$410,000	$321,000	Recall / Continuing Care Statistics + Patient Activity List
4.2 Unscheduled Accepted Treatment	Documented Asset	$289,000	$227,000	Treatment Plan Approval Report (accepted status only)
4.3 No-Shows and Cancellations	Documented Asset	$286,000	$224,000	Schedule Summary Report
4.5 New Patient Retention	Documented Asset	$158,000	$124,000	New Patient Report + Patient Activity List
Documented Total (Moderate)		**$1,143,000**	**$896,000**	**Conservative: $682,000 / $535,000**
4.4 Provider Variance	Structural Exposure	($160,000) at risk	($69,000) EBITDA-equiv.	Provider Production and Collections Report; excluded from asset totals; Sections 4.4 and 7

Category numbering follows the DRAI Operational QoE convention across all product lines: 4.4 is Provider Variance in every DRAI report. Expected cash cells convert each asset at the 78.4% gross-to-cash yield; cells and totals tie as printed per the Appendix D.7 rounding convention.

How This Documentation Supports a Contingent-Payment Provision

A provision needs a referenceable asset base. Contingent-payment provisions fail in drafting when the referenced value is an assertion ("upside potential") rather than a defined, measurable quantity. Each asset here is defined by PMS-queryable criteria frozen at a stated Measurement Date, valued through a disclosed conversion chain, and re-measurable by either party from the same exports (Section 6). That is the documentation standard counsel needs; what the parties do with it is theirs.

Cash is the observable measure. Collections from a defined cohort are visible in the PMS; incremental EBITDA attribution is not. This report therefore carries its primary values in production and expected cash terms, with EBITDA shown only as dual-lens context (Section 5.3). Where parties reference capture in a provision, market practice observed by DRAI references collections-based measures (Appendix G, reference only).

Disclosure of the structural exposure protects the asset case. The same diligence team that verifies the assets will find the Founder concentration. Section 4.4 discloses it first, quantifies it on stated assumptions, and flags the founder-located share of the documented assets ($277,000 at Locations 1 and 3), so the asset documentation and the risk disclosure arrive from the same source and survive adversarial reading together.

Boundary restated. Nothing in this section or this report proposes provision language, payment mechanics, thresholds, or timelines. DRAI documents the assets; the parties and their counsel structure the provision. The public-facing term for such provisions is "earn-out"; this report quantifies the documented asset base an earn-out could reference and goes no further.

2.1 Engagement Scope and Methodology

This engagement documents patient-level recoverable assets and structural exposures across the five locked Operational QoE categories, using twenty-four months of summary-level PMS data (July 1, 2024 to June 30, 2026) extracted from the practice's Dentrix environment on July 8, 2026 (the Measurement Date). Six standard PMS exports per location were parsed and reconciled: the Recall / Continuing Care Statistics Report, the Treatment Plan Approval Report (accepted status only), the Schedule Summary Report, the Provider Production and Collections Report (including production-adjustment detail), the Patient Activity / Continuing Care List (counts only), and the New Patient Report. No individual patient names, identifiers, or identity-paired health data were received or reviewed at any point.

Operational context was captured through the written intake (Form 2A group-level plus six Form 2B per-location questionnaires, received July 6 to 10, 2026) and three material clarification items resolved in writing through the Clarification Register on July 14, 2026 (CR-1 through CR-3, cited where used). Deal-context facts were confirmed in writing by the seller's advisor on July 11, 2026. This document is built to an adversarial-reader standard: every figure is anchored to counts, carries a disclosed basis (Appendix C), and can be re-run by the acquirer's diligence team from the same exports under the protocol in Section 6.

The output is documentation: what exists, where it sits, what it is worth under stated assumptions, and how it can be re-measured. DRAI Consulting does not opine on transaction valuation or deal structure, does not draft deal terms, and does not provide legal advice.

2.2 Deal Context

Transaction status	Letter of intent executed June 12, 2026 (seller's advisor confirmation, July 11, 2026)
Acquirer	PE-backed DSO platform (described by role; identity governed by the transaction's confidentiality arrangements)
Term-sheet-indicated multiple	7.0x EBITDA, as indicated in the executed LOI per the seller's advisor. A deal fact reported for context; not a DRAI valuation input or opinion.
Expected close window	Q4 2026 (advisor-stated)
Diligence posture	Acquirer operational and financial diligence under way; this document is prepared for the transaction data room
Seller advisors	M&A advisor (listing side) and seller's counsel; roles only
Ownership	16 years; multi-partner, Founder holds majority; 3 associate dentists, non-equity
Founder post-close intent	Clinical transition period 12 to 18 months post-close; retirement within 24 months post-close (written intake, Form 2A; see Sections 4.4 and 7)

Deal-context fields are Tier 2 (advisor-stated or operator-stated, in writing) per the Basis of Estimates in Appendix C. This engagement is a Going to Market engagement: it documents assets for a live transaction and contains no pre-listing action plan, no trailing-EBITDA trajectory, and no capture program, because no runway exists between the Measurement Date and the transaction.

2.3 Operational Baseline (T12, July 2025 to June 2026)

Gross production (full fee, UCR)	$13,280,000
Contractual adjustments (insurance write-offs)	($2,656,000) · 20.0% of gross production
Net (adjusted) production	$10,624,000
Collections	$10,412,000
Net collection ratio (collections / net production)	98.0%
Gross-to-cash yield (collections / gross production)	78.4%
Payor mix (share of gross production)	approx. 60% in-network PPO · 35% fee-for-service and out-of-network · 5% other
Active patients	13,850
New patients (T12)	2,180
Providers	4 dentists (1 Founder + 3 Associates) · 8 hygienists
Reported EBITDA (T12, practice estimate)	$2,450,000 · 23.5% of collections
Data reliability status	No material discrepancies (Appendix F.2)

Production, adjustments, net production, collections, and patient counts are Tier 1 (PMS-derived, summary level, no PHI). Payor mix shares are Tier 1 for the adjustment dollars and Tier 2 for the mix classification. Reported EBITDA is the practice's estimate (Tier 2), not audited and not normalised by DRAI; the acquirer's financial diligence governs EBITDA. The distinction between gross production, net production, and collections is load-bearing for every conversion in this report (Section 5.1, Appendix D.3). This sample uses DRAI's standardised sell-side demonstration baseline; in a live engagement all values populate from the engagement's own exports.

2.4 Sources of Information

PMS exports (Tier 1): the six standard summary-level exports listed in 2.1, per location, extracted July 8, 2026 (the Measurement Date), covering T24. The Provider Production and Collections Report includes the production-adjustment detail from which the 20.0% blended contractual adjustment rate is computed.

Written intake (Tier 2): Form 2A (group-level, Director of Operations) and six Form 2B submissions (per-location office managers), received July 6 to 10, 2026.

Clarification Register (Tier 2): three material items resolved in writing July 14, 2026 (CR-1 accepted-status filter confirmation; CR-2 recall automation coverage by location; CR-3 founder panel and transition staffing).

Advisor confirmation (Tier 2): written confirmation of LOI status, indicated multiple, and close window, July 11, 2026.

DRAI comparative estimates (Tier 3): reactivation, conversion, recovery, retention, attrition, and redistribution rates; capture scenarios; the EBITDA margin lenses. Identified as such wherever used; see Appendix C.

2.5 Limitations of Scope

This report does not opine on transaction valuation, deal structure, or the merits of the transaction; does not draft or propose deal terms; and does not provide legal, tax, or accounting advice. It is not an audit and does not verify PMS data against bank records beyond the reliability review in Appendix F.2. Documented asset values are estimates under stated assumptions, carry the variance range in Appendix F.2, and realise only through post-close execution that is outside DRAI's control and outside the seller's control after close. The term-sheet multiple appears only as a reported deal fact. The intended readers are the parties to the transaction and their advisors under the data-room confidentiality arrangements; no other party may rely on this document (Appendix F.6).

3. DOCUMENTED ASSET OVERVIEW

The table below summarises the four documented recoverable assets as of the July 8, 2026 Measurement Date. Full documentation per asset, including the re-runnable filter definitions, follows in Section 4. Expected cash converts full fee at the practice's 78.4% gross-to-cash yield (the 20.0% contractual adjustment step, then the 98.0% net collection ratio; Section 5.1). Provider Variance is a structural exposure: it is disclosed beneath the total, in parentheses, and never sums into documented totals.

#	DOCUMENTED ASSET	WHERE IT SITS IN THE PMS	FULL FEE (CONS. / MOD.)	EXPECTED CASH AT FULL CAPTURE (CONS. / MOD.)
4.1	**Lapsed Recall** 3,740 active patients overdue 90+ days; reactivation scenarios 670 / 1,108 patients x $370	Recall / Continuing Care Statistics Report + Patient Activity / Continuing Care List (counts only)	$248,000 / $410,000	$194,000 / $321,000
4.2	**Unscheduled Accepted Treatment** $1,376,000 accepted-status backlog across 1,265 plans; conversion 13.0% / 21.0%	Treatment Plan Approval Report, accepted status only, never presented	$179,000 / $289,000	$140,000 / $227,000
4.3	**No-Shows and Cancellations** $636,000 T12 lost production; recovery fraction 25% / 45%	Schedule Summary Report	$159,000 / $286,000	$125,000 / $224,000
4.5	**New Patient Retention** 1,635-patient measurable cohort; 133 / 220 additional retained patients x $720 first-year production	New Patient Report + Patient Activity / Continuing Care List	$96,000 / $158,000	$75,000 / $124,000
	Documented Total		**$682,000 / $1,143,000**	**$535,000 / $896,000**
4.4	**Provider Variance** (structural exposure, excluded from totals above) Founder $1,420,000 T12 production, 32.6% of dentist production, retirement window stated; Sections 4.4 and 7	Provider Production and Collections Report	($109,000) / ($160,000) at risk	($47,000) / ($69,000) EBITDA-equiv.

Scenario rates are Tier 3 DRAI comparative estimates disclosed per asset in Section 4 and in Appendix C; counts anchor the dollars. Expected-cash cells convert each figure at the 78.4% gross-to-cash yield; conservative cells are rounded per asset and the conservative total ($535,000) is computed on the unrounded chain, per the Appendix D.7 rounding convention (cells may differ from the column total by up to $1,000). Capture below 100% is addressed in Section 5.2.

SECTION 4.1 · ASSET 1 OF 4 · DOCUMENTED RECOVERABLE ASSET

Lapsed Recall

ZONE: OPPORTUNITY · PMS SOURCE: DENTRIX RECALL AND PATIENT-ACTIVITY MODULES

Source: Recall / Continuing Care Statistics Report and Patient Activity / Continuing Care List (counts only), extracted July 8, 2026 (Measurement Date), T24 coverage.

PATIENTS OVERDUE 90+ DAYS	SHARE OF ACTIVE PATIENTS	PER-LOCATION LAPSED RANGE	AVG PRODUCTION PER REACTIVATED PATIENT
3,740	27.0%	18.9% to 36.9%	$370

WHAT EXISTS

3,740 active patients of record are overdue for their assigned recall interval by 90 days or more as of the Measurement Date: 27.0% of the 13,850-patient active base, concentrated at Locations 4 to 6 (2,110 of the overdue patients; per-location schedule in Appendix A.1). These are patients with recall intervals already assigned in the PMS, not prospective demand. Recall automation is active at Locations 1 to 3 and manual at Locations 4 to 6 (written intake, Form 2B; Clarification Register CR-2), the probable driver of the concentration.

WHERE IT SITS IN THE PMS

Re-runnable definition: Dentrix Recall / Continuing Care module, patients with status Active; assigned recall interval; last completed recall visit (or entry date where no visit exists) more than 90 days before the run date; excluding patients marked inactive, transferred, or deceased. Counts verified against the Patient Activity / Continuing Care List (counts only, no PHI). Cohort frozen July 8, 2026; any party with PMS access reproduces the count by re-running the same reports with the same filters (Section 6).

WHAT IT IS WORTH

Value chain at full capture of each scenario cohort: conservative, 670 reactivated patients x $370 average production per reactivated visit cycle (Tier 1, T12 recall-visit production values) = $248,000 full fee; less 20.0% contractual adjustments; x 98.0% net collection ratio = $194,000 expected cash. Moderate: 1,108 x $370 = $410,000 full fee = $321,000 expected cash. Reactivation scenarios of approximately 18% and 30% are Tier 3 DRAI comparative estimates within an 18% to 34% comparative range for structured reactivation programs; capture below 100% of a scenario cohort is addressed in Section 5.2.

HOW DERIVED AND RE-MEASURED

Formula: reactivated patients x average production per reactivated visit cycle, converted through the Section 5.1 bridge. Counts anchor the dollars; the $370 unit value is PMS-derived (Tier 1); the reactivation rates are Tier 3 and stress-testable. Re-measurement: re-run the two source reports with the same filters at any later date; the overdue count, unit value, and cohort composition update mechanically. DRAI can perform re-measurement on request; the protocol does not require DRAI.

Unscheduled Accepted Treatment

ZONE: OPPORTUNITY · PMS SOURCE: DENTRIX TREATMENT-PLAN MODULE

Source: Treatment Plan Approval Report, accepted status only, extracted July 8, 2026 (Measurement Date), T24 coverage.

OPEN ACCEPTED PLAN VALUE UNSCHEDULED	ACCEPTED PLANS	AVG UNSCHEDULED PLAN VALUE	SHARE AGED OVER 90 DAYS
$1,376,000	1,265	$1,088	62%

WHAT EXISTS

$1,376,000 of treatment carrying accepted status in the PMS has no scheduled appointment as of the Measurement Date, across 1,265 plans averaging $1,088. The cohort includes only plans the patient said yes to; presented-but-declined options are excluded by filter (confirmed in Clarification Register CR-1), so none of the value is speculative case acceptance. 62% of the value is aged beyond 90 days. No location operates a dedicated owner of the post-acceptance scheduling queue (written intake, Form 2B), the probable driver of the accumulation.

WHERE IT SITS IN THE PMS

Re-runnable definition: Dentrix Treatment Plan Approval Report, plan lines with status Accepted; no linked scheduled or completed appointment as of the run date; plan entry date within T24; excluding plans marked declined, superseded, or completed elsewhere. Plan values at full fee (UCR) as the PMS records them. Cohort frozen July 8, 2026; the count and value re-run mechanically from the same report and filters (Section 6).

WHAT IT IS WORTH

Value chain: conservative, $1,376,000 x 13.0% scheduling conversion = $179,000 full fee = $140,000 expected cash (less 20.0% contractual adjustments, x 98.0% net collection ratio). Moderate: $1,376,000 x 21.0% = $289,000 full fee = $227,000 expected cash. Conversion rates are Tier 3 DRAI comparative estimates for an owned follow-up workflow against an aged accepted-plan backlog; both scenarios leave over three-quarters of the backlog unconverted, reflecting age decay in scheduling probability.

HOW DERIVED AND RE-MEASURED

Formula: open accepted plan value x conversion rate, converted through the Section 5.1 bridge. The backlog value and plan count are Tier 1; the conversion rates are Tier 3 and stress-testable. Re-measurement: re-run the Treatment Plan Approval Report with the accepted-only filter at any later date; the backlog value, count, and aging profile update mechanically.

No-Shows and Cancellations

ZONE: OPERATIONAL RISK · PMS SOURCE: DENTRIX SCHEDULE MODULE

Source: Schedule Summary Report, extracted July 8, 2026 (Measurement Date), T24 coverage.

COMBINED NO-SHOW + UNRECOVERED CANCELLATION RATE	HIGHEST-PERFORMING LOCATION	LOWEST-PERFORMING LOCATION	T12 LOST PRODUCTION
14.6%	9.4%	19.8%	$636,000

WHAT EXISTS

$636,000 of T12 production (full fee) was lost to no-shows and cancellations that were never recovered into filled slots. The group's combined rate is 14.6% of scheduled appointments against 9.4% at the highest-performing location (Location 2) and 19.8% at the lowest (Location 5), a spread indicating a workflow difference rather than a patient-demographic difference. Location 2 runs an automated confirmation cascade and a same-week recovery-call protocol; Locations 4 to 6 run neither (written intake, Form 2B; Clarification Register CR-2), the probable driver of the spread. This asset is the recurring-revenue counterpart of the two backlog assets: it documents a repeating annual loss rate, measured on T12.

WHERE IT SITS IN THE PMS

Re-runnable definition: Dentrix Schedule Summary Report, appointment lines with status No-Show, or status Cancelled without a subsequent completed rebooking of the same treatment within the period; production values at scheduled full fee; T12 window; per location and group. Rate = affected appointments over scheduled appointments. Frozen July 8, 2026; re-runs mechanically (Section 6).

WHAT IT IS WORTH

Value chain (annual, at full capture of each scenario): conservative, $636,000 x 25% recovery fraction = $159,000 full fee = $125,000 expected cash. Moderate: $636,000 x 45% = $286,000 full fee = $224,000 expected cash. Recovery fractions are Tier 3 DRAI comparative estimates; the moderate scenario corresponds approximately to closing the gap between the group rate and the group's own best location, an internal anchor observable in the same export.

HOW DERIVED AND RE-MEASURED

Formula: T12 lost production x recovery fraction, converted through the Section 5.1 bridge. Lost production and per-location rates are Tier 1; recovery fractions Tier 3. Re-measurement: re-run the Schedule Summary Report over any later T12 window; the loss rate and dollar base update mechanically, and post-close convergence toward the internal 9.4% anchor is directly observable in the same report.

SECTION 4.4 · STRUCTURAL EXPOSURE · NOT AN ASSET

Provider Variance

ZONE: STRUCTURAL RISK · PMS SOURCE: DENTRIX PROVIDER PRODUCTION MODULE

Source: Provider Production and Collections Report, extracted July 8, 2026; retirement timeline per written intake (Form 2A).

FOUNDER T12 PRODUCTION	SHARE OF DENTIST PRODUCTION	FOUNDER LOCATIONS	STATED RETIREMENT WINDOW
$1,420,000	32.6%	1 and 3	24 mo post-close

PRODUCTION AT RISK · CONSERVATIVE	PRODUCTION AT RISK · MODERATE
($109,000)	($160,000)

EBITDA-EQUIVALENT EXPOSURE · CONSERVATIVE	EBITDA-EQUIVALENT EXPOSURE · MODERATE
($47,000)	($69,000)

DISCLOSURE

The Founder generates $1,420,000 of T12 in-chair production, 32.6% of dentist production, concentrated at Locations 1 and 3, with a stated retirement window within 24 months post-close and a 12-to-18-month clinical transition period (written intake, Form 2A; Clarification Register CR-3). This category is a structural exposure, not a documented asset: there is no uncaptured revenue to document, only existing revenue whose continuity depends on a clinician transition the parties will price. It is excluded from every documented total in this report and is disclosed here and in Section 7 so the asset documentation and the risk disclosure arrive from the same source.

RISK MODELLING

Production at risk = Founder T12 production x panel attrition rate x (1 less panel redistribution rate). Conservative: $1,420,000 x 38% x (1 less 79.8%) = $109,000. Moderate: $1,420,000 x 45% x (1 less 75.0%) = $160,000. Attrition and redistribution rates are Tier 3 DRAI comparative estimates for founder-to-associate transitions; redistribution reflects the three-associate bench at those locations (Appendix B). EBITDA-equivalent exposure at the 0.4312 blended factor: ($47,000) conservative, ($69,000) moderate. Overlap flag: $277,000 of the documented assets sits at Locations 1 and 3 (24.2% of the documented total, Appendix A.2); the Founder-dependent share of that value (approximately 26.1% Founder share of those locations' production) carries the same transition sensitivity, so the parties evaluating both the assets and this exposure should treat those dollars once, not twice. Section 7 prints the derivation.

TRANSACTION RELEVANCE

Any competent diligence team reads the same concentration from the same report. Disclosing it here, quantified on stated assumptions, keeps the asset case and the risk case in one document with one basis of estimates. Transition-period arrangements and contingent structures are established market responses described in Appendix G as reference material; DRAI does not recommend or draft any response.

New Patient Retention

ZONE: OPPORTUNITY · PMS SOURCE: DENTRIX NEW-PATIENT AND PATIENT-ACTIVITY MODULES

Source: New Patient Report and Patient Activity / Continuing Care List (counts only), extracted July 8, 2026 (Measurement Date), T24 coverage.

NEW PATIENTS (T12)	MEASURABLE FIRST-YEAR COHORT	FIRST-VISIT ATTRITION	AVG FIRST-YEAR PRODUCTION PER RETAINED NP
2,180	1,635	38.1%	$720

WHAT EXISTS

Of the 1,635 new patients whose first-recall window closed inside T12 (the measurable cohort within 2,180 T12 new patients), 38.1% did not return for a second visit. The group adds 182 new patients per month on average, so acquisition is not the gap; the revenue leakage sits at the retention step, after acquisition cost is spent. No structured post-first-visit sequence exists; second-appointment booking is left to the checkout desk (written intake, Form 2B), the probable driver of the attrition. As an asset, this is a recurring annual improvement base measured on the current cohort, not a one-time backlog.

WHERE IT SITS IN THE PMS

Re-runnable definition: Dentrix New Patient Report, patients with first-visit date such that the assigned first-recall window closed within T12; retention = a completed second visit or booked future appointment as of the run date; attrition = neither. Counts verified against the Patient Activity / Continuing Care List (counts only). Frozen July 8, 2026; re-runs mechanically on any later cohort (Section 6).

WHAT IT IS WORTH

Value chain (annual, per cohort cycle): conservative, 133 additional retained patients x $720 average first-year production per retained new patient (Tier 1, cohort production values) = $96,000 full fee = $75,000 expected cash. Moderate: 220 x $720 = $158,000 full fee = $124,000 expected cash. Retention-improvement targets (attrition toward approximately 30% and 25%) are Tier 3 DRAI comparative estimates; counts anchor the dollars. The $2,840 average lifetime value observed for retained patients is context only and is never the documented basis, which keeps this asset on the same T12 production footing as the other three.

HOW DERIVED AND RE-MEASURED

Formula: additional retained patients x average first-year production per retained new patient, converted through the Section 5.1 bridge. Re-measurement: re-run the New Patient Report on any later cohort window; the cohort size, attrition rate, and unit value update mechanically, and post-close retention improvement is directly observable in the same report.

5.1 Production-to-Collections Bridge

Documented assets are stated at full fee (UCR), because that is how the PMS records production. An insurance-based practice does not collect full fee. The bridge shows the contractual write-off step as its own visible line, and the net collection ratio applies to net production only. This is the identical conversion methodology used in every DRAI Operational QoE product.

BRIDGE STEP	MODERATE	CONSERVATIVE	SOURCE
Documented Recoverable Production (full fee, four assets)	$1,143,000	$682,000	Section 4
Less: Contractual adjustments at 20.0% blended T12 actual	($229,000)	($136,000)	Payor mix 2.3; Tier 1
= Net recoverable production	$914,000	$546,000	
x Net collection ratio (T12 actual, collections / net production)	98.0%	98.0%	Section 2.3; Tier 1
= Expected Cash Value at Full Capture	**$896,000**	**$535,000**	

Memo: gross-to-cash yield 78.4% (80.0% of full fee survives contractual adjustment; 98.0% of that is collected). Per-asset expected-cash figures in Sections 3 and 4 apply the same factor and tie to this bridge as printed (Appendix D.7 rounding convention). EBITDA conversion is deliberately not part of this bridge; it appears as dual-lens context in Section 5.3 because cash, not EBITDA, is the observable measure of capture.

5.2 Capture Scenarios

Full capture of the documented assets is an upper bound; realised capture depends on post-close execution by the acquirer's operating platform. The table states the expected cash realised at reference capture levels of the moderate and conservative asset bases. These are Tier 3 reference points for the parties' own evaluation, not projections and not proposed terms.

CAPTURE LEVEL	EXPECTED CASH (MODERATE BASE)	EXPECTED CASH (CONSERVATIVE BASE)	READING
40%	$358,000	$214,000	Partial deployment; backlog assets worked, recurring assets untouched
60%	$538,000	$321,000	Deployed capture workflows across all four assets in year one
80%	$717,000	$428,000	Mature platform execution; near the practical ceiling for aged backlogs

Each cell is the capture level applied to the Expected Cash Value at Full Capture ($896,000 moderate / $535,000 conservative). Where parties reference capture in any contingent-payment provision, the measurable quantity observed in market practice is collections from the defined cohorts (Appendix G, reference only); the choice, mechanics, and drafting of any provision are matters for the parties and their counsel exclusively.

5.3 EBITDA Conversion Context (Dual Lens)

The EBITDA yielded by captured cash depends on whose cost structure captures it. This report does not claim the Acquirer's economics; it states two labelled lenses so the Acquirer can map the assets into its own model. Both apply to incremental collections; both are Tier 3.

LENS	INCREMENTAL MARGIN	ANNUAL GROSS EBITDA (MODERATE, AT FULL CAPTURE)	ANNUAL GROSS EBITDA (CONSERVATIVE)
Industry-blended stack (practice-side view: hygienist labor 10.5%, lab 8.5%, supplies 5.5%, associate comp 16.0%, variable overhead 4.5%)	55.0%	$493,000	$294,000
Buyer-typical stack (PE-backed DSO applying 25% to 30% associate compensation and tighter overhead)	35% to 40%	$314,000 to $358,000	$187,000 to $214,000

Figures apply each margin to the Expected Cash Value at Full Capture ($896,000 / $535,000). The structural exposure disclosed in Section 4.4 converts at the blended factor to ($69,000) moderate / ($47,000) conservative annual EBITDA-equivalent and is not netted against these context figures, because this report claims no net EBITDA headline; the parties' own models govern. The figures that carry unchanged into any model are the documented production, the adjustment rate, and the collection ratio: all Tier 1 properties of the practice's own data.

5.4 Adjustment-Rate Sensitivity (Insurance-Heavy Stress)

The contractual adjustment rate is the conversion assumption an adversarial reader will stress first. The practice's actual T12 rate is 20.0% (Tier 1, PMS adjustment detail). The table holds the moderate asset base fixed and re-runs the cash conversion at progressively insurance-heavier rates.

ADJUSTMENT RATE	NET RECOVERABLE PRODUCTION	EXPECTED CASH AT FULL CAPTURE	CASH AT 60% CAPTURE
20.0% (T12 actual, used)	**$914,000**	**$896,000**	**$538,000**
25.0%	$857,000	$840,000	$504,000
30.0%	$800,000	$784,000	$470,000
35.0%	$743,000	$728,000	$437,000

Each row: $1,143,000 x (1 less rate) = net production; x 98.0% = expected cash; x 60% = the mid capture reference. The documented asset base is stable in direction at every stressed rate. The practice's own rate is data, not an assumption; the stress exists because the reader will run it.

This section defines how every figure in Section 4 was measured and how any party can verify or re-measure it. The protocol exists so the documentation can serve as a factual reference without depending on DRAI's continued involvement.

6.1 Measurement Date and Cohort Freezing

All asset cohorts were frozen at the PMS export of July 8, 2026 (the Measurement Date, stated on every asset page). A cohort is the set of records meeting the asset's filter definition on that date. Later re-measurement produces a new cohort under the same definition; the definition, not the membership, is what stays fixed.

6.2 The Source Exports

Six summary-level exports per location, all PHI-safe (no patient names, identifiers, or identity-paired health data): Recall / Continuing Care Statistics Report; Treatment Plan Approval Report (accepted status only); Schedule Summary Report; Provider Production and Collections Report (including production-adjustment detail); Patient Activity / Continuing Care List (counts only); New Patient Report. The production-adjustment detail is the Tier 1 source of the 20.0% blended contractual adjustment rate.

6.3 Re-Measurement Steps

For any asset, at any later date: (1) re-run the asset's source export(s) with the filter definition printed on its Section 4 page; (2) read the count and value; (3) convert through the Section 5.1 bridge at the then-current adjustment rate and net collection ratio, both of which are themselves Tier 1 outputs of the Provider Production and Collections Report. The protocol is executable by the practice, the Acquirer's diligence team, or any advisor with summary-level PMS access. DRAI can be engaged to perform re-measurement; the protocol does not require DRAI.

6.4 Verification of This Report

The Acquirer's team can verify this report by reproducing: the baseline chain in Section 2.3 (gross production, adjustments, net production, collections); each asset count and value against its filter definition; the per-location schedules in Appendix A; and the bridge arithmetic as printed. Every assumption that is not Tier 1 data is identified by tier at its point of use and stress-tested in Section 5.

6.5 What DRAI Provides, and Does Not

DRAI provides the documentation, the derivations, the basis tiers, and re-measurement on request. DRAI does not provide provision language, payment mechanics, thresholds, measurement-date selections for contractual purposes, legal drafting, or negotiation advice. Where the parties negotiate a contingent-payment provision referencing these assets, the structuring and drafting are matters for the parties and their respective counsel exclusively.

This section consolidates the structural exposure disclosed in Section 4.4 for the diligence reader, states what the Acquirer's own process will find, and prints the overlap arithmetic so no dollar is read twice across the asset case and the risk case. It is identification and disclosure only: DRAI does not provide deal-structure advice, and the reference material in Appendix G carries no recommendation.

IDENTIFIED STRUCTURAL ELEMENT · PROVIDER VARIANCE: FOUNDER RETIREMENT TIMELINE

The Founder generates $1,420,000 of T12 in-chair production (32.6% of dentist production) at Locations 1 and 3, with a stated retirement window within 24 months post-close and a 12-to-18-month clinical transition (written intake, Form 2A; Clarification Register CR-3). Production at risk: $1,420,000 x 38% panel attrition x (1 less 79.8% redistribution) = $109,000 conservative; $1,420,000 x 45% x (1 less 75.0%) = $160,000 moderate. EBITDA-equivalent at the blended factor: ($47,000) / ($69,000). Attrition and redistribution rates are Tier 3 DRAI comparative estimates; the redistribution assumption reflects the three-associate bench at those locations (Appendix B).

OVERLAP ARITHMETIC · FOUNDER-LOCATED SHARE OF THE DOCUMENTED ASSETS

$277,000 of the documented assets sits at Locations 1 and 3 ($140,000 + $137,000, Appendix A.2): 24.2% of the $1,143,000 documented total. The Founder's share of those locations' production is 26.1% ($1,420,000 / $5,435,000), so the Founder-dependent slice of the documented assets is approximately $72,000 at full fee; at the moderate transition assumptions (45% attrition, 75.0% redistribution) approximately $8,000 of that slice is exposed ($3,000 conservative). A reader pricing both the assets and the transition should count those dollars once: either as asset value subject to transition sensitivity, or within the transition exposure, not both. This report keeps them in the asset base and discloses the exposure here.

What the Acquirer's Diligence Will Find

The concentration reads directly from the Provider Production and Collections Report; the timeline is confirmed in the seller's written responses; panel attrition modelling against the associate bench is standard practice. This document discloses all three first, quantified on stated assumptions, so the conversation at the deal table starts from a shared factual base rather than a discovery.

Other Structural Elements (Identified, Not Material)

Payer concentration (no single plan above a typical materiality share of collections), lease and real estate posture, PMS migration history (single platform, no trailing-24-month migration), and cross-location ownership history were scanned through the written intake and PMS data. None presents a material structural exposure at this engagement stage.

Boundary. Transition-period arrangements, holdbacks, and earn-out structures are established market responses to clinician-transition exposure; Appendix G describes them as reference material only. DRAI does not recommend, structure, or draft any response; those are matters for the parties and their counsel.

8. APPENDICES

The appendices carry the per-location schedules, provider concentration detail, sources and basis of estimates, methodology, definitions, limitations, contingent-payment reference material, and the full conversion methodology disclosure.

Appendix A.	Per-Location Data Schedules: A.1 operational baseline with the contractual adjustment chain per location; A.2 documented asset allocation by location.
Appendix B.	Provider Concentration Detail: per-dentist production and key-person risk indicators.
Appendix C.	Sources of Information and the three-tier Basis of Estimates, including the statement that no figure is sourced to a third-party study.
Appendix D.	Methodology and Assumptions: asset definition, the corrected conversion, capture scenarios, cohort freezing and re-measurement, classification, and the rounding convention.
Appendix E.	Definitions and Abbreviations.
Appendix F.	Limitations, Caveats, and Data Reliability, including the explicit no-deal-terms and no-legal-advice limitation.
Appendix G.	Reference: Common Contingent-Payment Structures (reference material only; no recommendations).
Appendix H.	Conversion Methodology Disclosure: full input table with basis tiers and the dual-lens EBITDA context.

A.1 Per-Location Operational Baseline (T12)

LOCATION	GROSS PROD.	CONTR. ADJ. (RATE)	NET PROD.	COLLECTIONS	NCR	ACTIVE PTS	NO-SHOW	LAPSED 90+
Location 1 (Founder primary)	$2,915,000	$561,000 (19.2%)	$2,354,000	$2,313,000	98.3%	2,890	12.8%	580
Location 2 (highest-performing)	$2,120,000	$416,000 (19.6%)	$1,704,000	$1,672,000	98.1%	2,360	9.4%	590
Location 3 (Founder secondary)	$2,520,000	$499,000 (19.8%)	$2,021,000	$1,983,000	98.1%	2,440	13.5%	460
Location 4	$2,015,000	$411,000 (20.4%)	$1,604,000	$1,570,000	97.9%	2,180	15.2%	760
Location 5 (lowest-performing)	$1,725,000	$366,000 (21.2%)	$1,359,000	$1,327,000	97.6%	1,950	19.8%	720
Location 6	$1,985,000	$403,000 (20.3%)	$1,582,000	$1,547,000	97.8%	2,030	16.1%	630
Group Total	**$13,280,000**	**$2,656,000 (20.0%)**	**$10,624,000**	**$10,412,000**	**98.0%**	**13,850**	**14.6%**	**3,740**

All dollar columns tie to the group totals as printed. Per-location contractual adjustment rates (19.2% to 21.2%) reflect payor-mix differences by location; Location 1 carries the heaviest fee-for-service share and Location 5 the heaviest in-network PPO share. Net collection ratios are computed on net production per the Appendix D.3 convention. Lapsed 90+ is the count of active patients overdue for recall by 90 days or more as of the Measurement Date. Source: Provider Production and Collections Report (including production-adjustment detail), Schedule Summary Report, Patient Activity / Continuing Care List; summary level, no PHI.

Per-location lapsed rates referenced in Section 4.1: Location 1, 20.1%; Location 2, 25.0%; Location 3, 18.9%; Location 4, 34.9%; Location 5, 36.9%; Location 6, 31.0%. Computed as lapsed count over active patients per location.

A.2 Per-Location Documented Asset Allocation (Moderate Scenario, Full Fee)

The three location-allocable assets distribute as follows. New Patient Retention is documented at group level (cohort behaviour spans locations) and is shown beneath the location-allocable subtotal.

LOCATION	LAPSED RECALL	UNSCHEDULED TREATMENT	NO-SHOWS	SUBTOTAL
Location 1 (Founder primary)	$64,000	$48,000	$28,000	$140,000
Location 2 (highest-performing)	$65,000	$42,000	$0	$107,000
Location 3 (Founder secondary)	$50,000	$56,000	$31,000	$137,000
Location 4	$83,000	$45,000	$54,000	$182,000
Location 5 (lowest-performing)	$79,000	$48,000	$96,000	$223,000
Location 6	$69,000	$50,000	$77,000	$196,000
Location-Allocable Total	**$410,000**	**$289,000**	**$286,000**	**$985,000**
+ Group-Level: New Patient Retention				$158,000
Documented Total (Moderate, Full Fee)				**$1,143,000**

Memo: structural exposure (Provider Variance): $160,000 production at risk, excluded from the documented totals above; see Sections 4.4 and 7. Location 2 shows $0 for No-Shows because its 9.4% combined rate is the internal reference performance the recovery scenarios are anchored to. The Location 1 + Location 3 subtotal ($277,000) is the input to the Section 7 overlap arithmetic. Column and row totals tie as printed.

B.1 Per-Dentist Production (T12, In-Chair Only)

PROVIDER	ROLE	PRIMARY LOCATION(S)	T12 PRODUCTION	% OF DENTIST PRODUCTION
Founder	Owner-dentist	Locations 1, 3 (periodic 2)	$1,420,000	32.6%
Associate A	Associate dentist	Locations 1, 4	$1,180,000	27.1%
Associate B	Associate dentist	Locations 2, 5	$1,055,000	24.2%
Associate C	Associate dentist	Locations 3, 6	$700,000	16.1%
Total Dentist Production (in-chair only)			**$4,355,000**	**100.0%**

Hygiene production ($8,925,000 T12) is excluded from dentist concentration. Gross production reconciles: $4,355,000 dentist + $8,925,000 hygiene = $13,280,000 (Appendix A.1). Source: Provider Production and Collections Report.

B.2 Key-Person Risk Indicators

Concentration	Founder holds 32.6% of dentist production, concentrated at Locations 1 and 3 (100% of Founder production at those two locations plus periodic coverage at Location 2)
Production intensity	Founder production per clinical day runs approximately 1.9x the associate average (Provider Production and Collections Report), a pattern consistent with a long-tenured, patient-loyalty-driven panel rather than a capacity difference
Stated timeline	Retirement within 24 months post-close; clinical-only transition period of 12 to 18 months post-close (written intake, Form 2A)
Absorption bench	Three associate dentists with existing presence at the Founder's locations (Associates A and C); redistribution assumptions in Sections 4.4 and 7 reflect this bench
Model treatment	Structural exposure, excluded from documented asset totals; disclosed in Sections 4.4 and 7 with the founder-located overlap arithmetic printed

C.1 PMS Exports (Tier 1)

Recall / Continuing Care Statistics Report, per location, T24, extracted July 8, 2026
Treatment Plan Approval Report (accepted status only), per location, T24, extracted July 8, 2026
Schedule Summary Report, per location, T24, extracted July 8, 2026
Provider Production and Collections Report, including production-adjustment detail, per location, T24, extracted July 8, 2026
Patient Activity / Continuing Care List (counts only), per location, extracted July 8, 2026
New Patient Report, per location, T24, extracted July 8, 2026

All exports are summary level. No individual patient names, patient identifiers, dates of birth, or identity-paired health data were requested, received, or reviewed.

C.2 Written Intake, Clarification Register, and Advisor Confirmation (Tier 2)

Form 2A, group-level operational questionnaire, completed by the Director of Operations, received July 6, 2026
Form 2B, per-location operational questionnaires (six), completed by each location's office manager, received July 6 to 10, 2026
Clarification Register, three material items resolved in writing July 14, 2026: CR-1 (accepted-status filter confirmation), CR-2 (recall automation and confirmation-cascade coverage by location), CR-3 (founder panel and transition staffing)
Seller's advisor written confirmation of LOI status, indicated multiple, and close window, July 11, 2026

C.3 Basis of Estimates (Three Tiers)

Tier 1, PMS-derived. Counts, production values, contractual adjustments, collections, and rates extracted directly from the exports above; independently re-runnable under the Section 6 protocol. Baseline figures, cohort counts, plan values, lost-production values, per-patient production values, the 20.0% blended adjustment rate, and the 98.0% net collection ratio are Tier 1.

Tier 2, Operator-stated or advisor-stated. Facts stated in writing by practice management or the seller's advisor: workflow coverage, staffing and transition intent, ownership, LOI status, the indicated multiple, and the close window. Attributed at each point of use.

Tier 3, DRAI comparative estimate. Reactivation, conversion, recovery, and retention-improvement rates; attrition and redistribution rates; capture-scenario levels; and the EBITDA margin lenses. These are DRAI analytical estimates informed by comparable dental operating patterns, and every use in this report is identified as such.

> **STATEMENT ON THIRD-PARTY SOURCES**
>
> No figure in this report is sourced to a third-party study, benchmark publication, or industry survey. Where a rate or range is applied that is not derived from this practice's own PMS data or stated in writing by management or the seller's advisor, it is a DRAI comparative estimate and is identified as such. The sensitivity treatments in Section 5 show the effect of alternative assumptions on every material figure.

APPENDIX D | METHODOLOGY AND ASSUMPTIONS

D.1 Five-Category Scope. The Operational QoE analyses five locked categories across every DRAI product line: Lapsed Recall, Unscheduled Accepted Treatment, No-Shows and Cancellations, Provider Variance, and New Patient Retention. At Going to Market stage, four are documented recoverable assets; Provider Variance is a structural exposure (D.6). Category numbering is constant across product lines (4.4 is always Provider Variance).

D.2 Documented Recoverable Asset. Uncaptured revenue evidenced in the practice's own PMS as of the Measurement Date, defined by re-runnable filter criteria, quantified at full fee (UCR) with counts anchoring dollars, and convertible to expected cash through the D.3 chain. An asset here is documentation of what exists; realisation depends on post-close execution.

D.3 The Conversion (Corrected Bridge). Full-fee production, LESS contractual adjustments at the practice's actual blended T12 rate (20.0%, Tier 1, payor mix stated in 2.3), equals net production; TIMES the net collection ratio (98.0%, collections over net production, Tier 1) equals expected cash. The composite gross-to-cash factor is 78.4%. The net collection ratio is never applied to full-fee production: production, net production, and collections are three different quantities, and collapsing them silently assumes near-zero write-offs. This is the identical conversion used in the DRAI Pre-Listing and Acquisition Diligence products; the three products never disagree on methodology.

D.4 Capture Scenarios. Reference capture levels (40% / 60% / 80%) applied to the Expected Cash Value at Full Capture. Tier 3 reference points for the parties' evaluation of post-close capture; not projections, not proposed terms, and not DRAI recommendations.

D.5 Cohort Freezing and Re-Measurement. All cohorts frozen at the July 8, 2026 Measurement Date under the filter definitions printed in Section 4; re-measurement per the Section 6 protocol by any party with summary-level PMS access. Definitions stay fixed; membership updates.

D.6 Classification. Opportunity and Operational Risk categories are documentable assets. Structural Risk (Provider Variance) is an exposure: disclosed, quantified, excluded from every documented total, with the founder-located overlap arithmetic printed in Section 7 so no dollar is read twice. Classification is analytical, not advisory, and is constant across DRAI product lines.

D.7 Rounding Convention. Dollar figures are rounded to the nearest $1,000. Bridge lines are computed so the arithmetic ties as printed; where a multi-row table column is built from independently rounded cells, the total row is computed on unrounded values and may differ from the sum of the rounded cells by up to $1,000. Rates shown to one decimal are computed from unrounded dollars.

D.8 EBITDA Context. EBITDA conversion appears only as dual-lens context (5.3): the industry-blended 55.0% margin and a buyer-typical 35% to 40% range, both Tier 3, both applied to incremental collections. This report claims no net EBITDA headline; the parties' own models govern EBITDA attribution.

Accepted Treatment	Treatment carrying accepted status in the PMS: the patient said yes and the plan is active. Excludes presented-but-declined options.
Active Patient	A patient of record with activity or an assigned recall interval within the practice's PMS activity definition.
Clarification Register	The written, batched clarification process between DRAI and the practice's group-level operations lead; items cited as CR-n.
Collections	Cash received, per the Provider Production and Collections Report.
Contingent-Payment Provision	A transaction provision under which part of the consideration depends on defined post-close outcomes; the common public-facing term is earn-out. This report documents assets such a provision could reference; it does not propose or draft any provision.
Contractual Adjustments	Insurance write-offs: the difference between full-fee production and payor-contracted allowables. Tier 1, from the PMS adjustment detail.
Documented Recoverable Asset	See Appendix D.2.
DRAI Comparative Estimate (Tier 3)	A DRAI analytical estimate informed by comparable dental operating patterns; not sourced to any third-party study.
Expected Cash Value at Full Capture	Full fee, less contractual adjustments at the blended rate, times the net collection ratio; the collections expected if 100% of a documented asset is captured.
Full Fee (UCR)	The practice's usual, customary, and reasonable fee schedule, at which the PMS records production.
Gross-to-Cash Yield	Collections divided by full-fee production; (1 less adjustment rate) x net collection ratio. 78.4% for this practice.
Lapsed Recall	An active patient overdue for their assigned recall interval by 90 days or more.
LOI	Letter of intent.
Measurable First-Year Cohort	New patients whose first-recall window closed inside the trailing twelve months, on whom first-visit attrition is measurable.
Measurement Date	The PMS export date at which asset cohorts are frozen. July 8, 2026 in this report.
Net Collection Ratio	Collections divided by net production. The institutional-standard cash measure. Applied to net production only.
Net Production	Full-fee production less contractual adjustments.
Operational QoE	Operational quality of earnings: a forensic, PMS-level diagnostic quantifying recoverable revenue and structural exposures across the five locked categories.
PMS	Practice management system (here, Dentrix).
Probable Driver	The most likely operational explanation for a gap, evidenced by the PMS data and written intake; stated as probable, not certain.
Re-Measurement	Re-running the same PMS exports with the same filter definitions at a later date; Section 6.
Recoverable Production / Recoverable Revenue	Uncaptured revenue evidenced in the PMS and quantified under stated assumptions.
Structural Exposure	Revenue at risk from a structural condition, disclosed and excluded from documented totals. See Sections 4.4 and 7.
T12 / T24	Trailing twelve / twenty-four months ending June 30, 2026.

APPENDIX F | LIMITATIONS AND CAVEATS

F.1 Scope Limitations. This report is asset documentation prepared from summary-level PMS data and written intake responses. It is not an audit, a financial quality of earnings review, a valuation, a fairness opinion, or investment advice. DRAI Consulting expresses no view on transaction valuation, the merits of the transaction, or deal structure, and the term-sheet-indicated multiple appears only as a reported deal fact.

F.2 Data Reliability. Documented asset values are based on PMS-reported data for the trailing 24 months and carry an inherent variance range of plus or minus 15% based on data entry accuracy at the practice level. A standard data reliability review was conducted during intake (Form 2B reliability question, answered by each location's office manager, July 2026); no material discrepancies were flagged by practice management between bank deposits and PMS-reported collections in the trailing 12 months. DRAI did not independently reconcile PMS data to bank records.

F.3 Forward-Looking Statements. Capture scenarios and all sensitivity treatments are forward-looking reference points under stated assumptions. Realisation depends on post-close execution, staffing, market conditions, and patient behaviour, all outside DRAI's control. No figure is a projection, a guarantee, or a commitment.

F.4 Non-Advisory Basis. This report identifies, quantifies, and documents. It makes no operational, vendor, hiring, compensation, or clinical recommendations, and the reference material in Appendix G is expressly not a recommendation.

F.5 No Deal Terms; No Legal Advice. DRAI Consulting does not draft, propose, or negotiate deal terms, contingent-payment provisions, thresholds, payment mechanics, or measurement dates for contractual purposes, and provides no legal, tax, or accounting advice. The documentation herein is factual reference material; the structuring, drafting, and legal effect of any provision are matters exclusively for the parties and their respective counsel.

F.6 Intended Readers; No Reliance. This document is prepared for Atlantic Smiles Dental Group and its advisors, for disclosure to the prospective acquirer and its advisors under the transaction's confidentiality arrangements. Each party conducts its own diligence; this report does not substitute for that diligence and creates no duty from DRAI to any party other than its client under the engagement terms.

APPENDIX G | REFERENCE: COMMON CONTINGENT-PAYMENT STRUCTURES

Reference material describing structures observed in the market where buyer and seller price post-close outcomes differently. DRAI does not recommend, structure, or draft any of them; selection, mechanics, and drafting are matters for the parties and their counsel. The common public-facing term for outcome-contingent consideration is "earn-out".

G.1 Earn-Out Provisions Referencing Documented Assets. Where parties negotiate an earn-out, the structures observed to function reference measurable quantities: most commonly, collections from defined cohorts over a defined period, because collections are directly observable in the PMS. Provisions referencing loosely defined "growth" or "potential" are observed to generate post-close disputes. The documentation standard in this report (defined cohorts, frozen measurement date, re-runnable filters, disclosed conversion) exists to support the former kind of reference, whatever the parties decide.

G.2 Transition-Period Arrangements. Clinician-transition exposure of the kind disclosed in Sections 4.4 and 7 is commonly addressed through post-close clinical transition periods, staged handoff protocols documented in the PMS, and retention arrangements for the transitioning clinician. These interact with any earn-out because the same post-close window carries both the capture activity and the transition.

G.3 Holdbacks and Escrows. Where uncertainty is priced as risk rather than opportunity, parties are observed to use holdback or escrow mechanics rather than earn-out mechanics. The difference matters to the seller's economics; evaluating it is counsel's work, not DRAI's.

G.4 Measurement Discipline. Across all observed structures, the recurring failure mode is measurement ambiguity: undefined cohorts, moving baselines, and unverifiable attribution. The Section 6 protocol (frozen cohorts, re-runnable definitions, summary-level exports) is designed so that whatever the parties structure, the referenced facts stay measurable by both sides.

G.5 What This Appendix Is Not. Not a menu, not a recommendation, not drafting guidance, and not a prediction of what the parties will or should agree. It exists so a reader encountering these structures in negotiation understands how the documentation in this report relates to them.

H.1 Full Disclosure of Conversion Inputs

INPUT	VALUE	BASIS	USED IN
Blended contractual adjustment rate	20.0%	Tier 1 · PMS adjustment detail, T12	5.1, 5.4, 7
Payor mix (share of gross production)	60% PPO / 35% FFS and OON / 5% other	Tier 1 dollars, Tier 2 classification	2.3, 5.1
Net collection ratio (collections / net production)	98.0%	Tier 1 · T12 actual	5.1, 5.4, 7
Gross-to-cash yield	78.4%	Derived: (1 less 20.0%) x 98.0%	3, 4, 5.1
Capture scenario levels	40% / 60% / 80%	Tier 3 · reference points	5.2, 5.4
EBITDA margin lens, industry-blended	55.0%	Tier 3 · DRAI comparative estimate	5.3
EBITDA margin lens, buyer-typical	35% to 40%	Tier 3 · DRAI comparative estimate	5.3
Composite production-to-EBITDA factor (blended lens)	0.4312	Derived: 78.4% x 55.0%	4.4, 7
Term-sheet-indicated multiple	7.0x	Tier 2 · advisor-stated deal fact; not used in any DRAI computation	2.2

H.2 Methodology Alignment Across DRAI Products. The conversion chain above is identical to the DRAI Pre-Listing Operational QoE and Acquisition Diligence Operational QoE methodologies: the same visible write-off step, the same net-collection-ratio convention, the same structural-exposure treatment of Provider Variance, and the same three-tier Basis of Estimates. What differs by product is the stage lens: Pre-Listing converts recoveries into a trailing-EBITDA trajectory across an 18-month runway; Going to Market documents the asset base at a frozen Measurement Date with cash as the primary measure; buy-side Acquisition Diligence converts through the specific acquirer's stated KPI stack. The recoverable production figures, adjustment rate, and collection ratio are properties of the practice's data and carry unchanged across all three.

H.3 Implication for the Reader. An adversarial reader should verify the Tier 1 inputs against the exports (Section 6.4), stress the Tier 3 assumptions (Section 5.4 does this for the largest one), and map the cash values into its own cost structure via Section 5.3. The document is built so that exercise produces the same numbers printed here.

> **METHODOLOGY INTEGRITY NOTE**
>
> Every conversion input is disclosed, tiered, and stress-tested. The write-off step is shown as its own line wherever production converts to cash; the net collection ratio applies to net production only; the structural exposure is excluded from documented totals and disclosed with its overlap arithmetic printed; no figure is sourced to a third-party study; and every cohort is re-measurable by any party under the Section 6 protocol. The arithmetic is designed to be re-run by an adversarial reader from the same exports, and to produce the same numbers when they do.

END OF DOCUMENT