Shields Imaging of Eastern, MA, LLC

Analysis of the Reasonableness of Assumptions and Feasibility of Shields Imaging of Eastern, MA, LLC

REPORT DATED DECEMBER 28, 2025

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December 28, 2025

Mr. Paul Anderson
Shields Health Care Group
Crown Colony Park
700 Congress Street, Suite 204
Quincy, MA 02169

Dear Mr. Anderson,

VMG Health ("VMG") performed an analysis of the prospective financial schedules prepared by Shields Health Care Group, Inc.("Management Services Organization" or "Management") for a partnership between Shields and South Shore Hospital, located in Weymouth Massachusetts. The collective transaction will subsequently be referred to as Shields Imaging of Eastern, MA, LLC, (the "Applicant" or, as is referred to by the Massachusetts Department of Public Health Determination of Need ("MA DPH DoN") Application Instructions, the ("Proposed Project"). VMG understands that the Proposed Project would involve a request for a mobile PET/CT machine to be operated 7 days per week. At this time, Shields intends to file a Determination of Need ("DoN") application to the Commonwealth of Massachusetts seeking approval for the Proposed Project.

This application includes a section regarding Financial Feasibility as referenced in the MA DPH DoN code section 100.210 specifically paragraph (A)(4) *Determination of Need Factors*. This Financial Feasibility component of the application provides "sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's Patient Panel." This report details our findings regarding the reasonableness of the assumptions used in preparation of the prospective financial schedules, and the feasibility of the Proposed Project based on the prospective financial schedules prepared Management for the operation of the Applicant.

This report is to be used by Shields in its DoN Application – Factor 4(a) and should not be distributed for any other purpose.

I. EXECUTIVE SUMMARY

The scope of our analysis was limited to reviewing six-year consolidated prospective financial schedules (the "Prospective Financials") prepared by Management for the operation of the Applicant.

The Prospective Financials reflect positive operating margins and positive year-end cash balances in each of the six years presented. Based on our review of the relevant documents and analysis of the Prospective Financials, we determined the assumptions used in the preparation of the Prospective Financials to be reasonable. Accordingly, we determined that the Proposed Project is feasible and sustainable, and not likely to have

a negative impact on the patient panel or result in a liquidation of assets of the Applicant.

II. RELEVANT BACKGROUND INFORMATION

Shields was founded in 1972 as a family owned and operated nursing home. In 1986, Shields opened its first MRI center. Shields currently operates over 40 centers across the New England area offering MRI and PET/CT services.

III. SCOPE OF ANALYSIS

The scope of this report is limited to an analysis of the Prospective Financials prepared by Management and the supporting documentation to render an opinion as to the reasonableness of assumptions used in the preparation and feasibility of the Prospective Financials. Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on the assumptions used, and that the plan is not likely to result in a liquidation of the underlying assets or the need for reorganization.

This report is based upon historical and prospective financial information provided to us by Management. If we had reviewed the underlying data, matters may have come to our attention that would have resulted in the use of amounts that differ from those provided by Management. Accordingly, we do not express an opinion or any other assurances on the underlying data presented or relied upon in this report. We do not provide assurance on the achievability of the results forecasted by Management because events and circumstances frequently do not occur as expected, and the achievement of the forecasted results are dependent on the actions, plans, and assumptions of Management. We reserve the right to update our analysis in the event that we are provided with additional information.

IV. SOURCES OF INFORMATION UTILIZED

In formulating our report, we reviewed the Prospective Financials as well as discussed corresponding assumptions with Management. The documents and information upon which we relied are identified below or are otherwise referenced in this report:

1. Applicant six-year Prospective Financials, received December 3, 2025;
2. Volume assumptions;
3. Reimbursement assumptions;
4. The MA DPH DoN Guidelines (105 CMR 100.000); and
5. Shields company website (www.shields.com).

V. REVIEW OF THE PROSPECTIVE FINANCIALS

This section of our report summarizes our review of the reasonableness of the assumptions utilized in preparing the Prospective Financials as well as the feasibility of the Applicant. Table 1 presents the key metrics (the "Key Metrics") reviewed in our analysis along with definitions.

Table 1

Summary of Key Metric Calculation Definitions

Key Metric	Calculation
Liquidity	
Current Ratio	Current Assets/Current Liabilities
Days in Accounts Receivable	Net Patient Accounts Receivable/(Net Patient Service Revenue/365)
Operating	
EBITDA	Net Income Plus: Interest, Taxes, Depreciation, and Amortization
EBITDA Margin	EBITDA/Net Revenue

The Key Metrics used in this report fall into two categories: liquidity and operating metrics. Liquidity ratios measure the quality and adequacy of assets to meet current obligations as they come due. Operating ratios are used to assist in the evaluation of management performance. Table 2 shows the results of the Key Metric calculations for Year 1 through Year 6.

Table 2

Shields Imaging of Eastern, MA, LLC Summary of Key Metrics							
	Footnotes	2026	2027	2028	2029	2030	2031
Liquidity Ratios	(1)						
Current Ratio		15.6	27.6	37.8	47.0	56.0	65.5
Days in Accounts Receivable		55.0	55.0	55.0	55.0	55.0	55.0
Operating Ratios	(1)						
EBITDA		$7,409,183	$8,151,634	$8,945,645	$9,850,267	$10,438,802	$11,294,260
EBITDA Margin		51.6%	51.6%	51.5%	51.5%	50.8%	51.1%

[1]Calculated based on information provided by Shields management.

I. Revenues

To determine the reasonableness of the prospective revenues, we reviewed the underlying assumptions upon which Management relied. Management prepared a volume budget which shows annual volume increases of 10 percent from Year 1 through Year 4 and 7.5 percent from Year 4 through Year 6. These volume assumptions are based on actual South Shore Hospital PET/CT volumes and anticipated growth.

Reimbursement rates are based on Shields' fee schedules and actual South Shore Hospital payer mix. Net revenue per test figures are assumed to remain constant through Year 6 (no annual reimbursement rate increases are built into the Prospective Financials).

It is our opinion that the revenue growth estimated by Management reflects a reasonable estimate of future revenues of the Applicant based on estimated volumes and reimbursement.

II. Expenses

We analyzed the expense categories included in the Prospective Financials for reasonableness. Generally, our approach included a review of the total expenses for each category, a calculation of a compound annual growth rate ("CAGR") to analyze year-over-year trends, and consideration to the extent that each expense item is tied to volume or more fixed in nature. Below are the expense categories provided in the Prospective Financials along with relevant findings.

Operating Expenses

Operating expenses include support services, billing, and bad debt expense. We calculated an operating expense CAGR of 9.0 percent from Year 1 through Year 6 for the Applicant.

Facilities & Equipment Related Expenses

Facilities and equipment-related expenses include equipment-related expenses and other facility & equipment expenses. We calculated a facilities and equipment-related expense CAGR of 9.8 percent for Year 1 through Year 6.

Service-Related Expenses

Other service-related expenses include FDG charges, specialty isotope, specialty isotope rebate, and other service-related expenses. From Year 1 through Year 6, these expenses increased at a CAGR of 9.0 percent for the Applicant.

Salaries & Benefits

Salaries and benefits expenses include radiology and technologist expenses. We calculated a salaries and benefit expense CAGR of 10.5 percent for Year 1 through Year 6.

Selling, General & Administrative ("SG&A") Expenses

SG&A expenses include support services, management fees, and other SG&A expenses. We calculated a CAGR of 8.8 percent for the SG&A expenses from Year 1 through Year 6.

III. Capital Expenditures and Cash Flows

We reviewed the capital expenditures and future cash flows to determine whether sufficient funds would be available to sustain the operation of the Applicant.

For the Applicant, there is no allocation of capital asset acquisitions from Year 1 through Year 6. The resulting cash flows of the Applicant are solely based on net income and distribution activities.

Accordingly, we determined that the prospective capital requirements and resulting impact on the cash flows are reasonable.

VI. FEASIBILITY

We analyzed the Prospective Financials and the associated Key Metrics and determined both to be based on reasonable assumptions. The Prospective Financials do not account for any anticipated changes in accounting standards. These standards, which may have a material impact on individual future years, are not anticipated to have a material impact on the feasibility of the Proposed Project.

The Applicant exhibits cash surpluses in the Prospective Financials, after any scheduled distributions, in each of the six years. Based on our discussions with Management, it is our understanding that distributions could be reduced in the event of a business downturn or interruption to increase the cash reserves of the Applicant.

Based upon our review of the relevant documents, we determined the Prospective Financials are based upon feasible assumptions. Accordingly, we determined that the Prospective Financials are feasible and sustainable and not likely to have a negative impact on the patient panel or result in a liquidation of assets of the Applicant.

Respectively submitted,

Daniel M. Grauman, MBA, CPA/ABV
Managing Director & CEO
VMG Health

Appendix

INCOME STATEMENT

Shields Imaging of Eastern, MA, LLC Schedule of Profit and Loss							
	Footnotes	2026	2027	2028	2029	2030	2031
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Total Volume		**3,549**	**3,904**	**4,294**	**4,724**	**5,078**	**5,459**
Revenue	(1)						
Net Patient Revenue		$14,357,274	$15,792,352	$17,370,287	$19,111,866	$20,544,443	$22,083,976
Total Revenue		$14,357,274	$15,792,352	$17,370,287	$19,111,866	$20,544,443	$22,083,976
Expenses	(1)						
Operating Expenses							
Support Services - Operations		$505,455	$556,001	$611,601	$672,761	$723,218	$777,459
Billing		45,754	50,329	55,362	60,899	65,466	70,376
Bad Debt Expense		264,174	290,579	319,613	351,658	378,018	406,345
Total Operating Expenses		$815,383	$896,909	$986,576	$1,085,318	$1,166,701	$1,254,180
Facilities and Equipment Related							
Equipment Related		$805,560	$807,540	$978,379	$1,149,280	$1,288,384	$1,290,612
Other Facility & Equipment		35,489	39,038	42,942	47,236	50,779	54,587
Total Facilities and Equipment Related		$841,049	$846,578	$1,021,321	$1,196,516	$1,339,162	$1,345,199
Service Related							
FDG Charges		$309,492	$340,441	$374,486	$411,934	$442,829	$476,041
Specialty Isotope		4,200,475	4,619,872	5,080,560	5,593,166	6,011,841	6,461,429
Specialty Isotope Rebate		(223,988)	(246,387)	(271,025)	(298,128)	(320,488)	(344,524)
Other Service Related		17,745	19,519	21,471	23,618	25,389	27,293
Total Service Related		$4,303,724	$4,733,446	$5,205,491	$5,730,590	$6,159,571	$6,620,239
Salary and Benefits - Operations							
Radiology		$8,456	$9,301	$10,230	$11,256	$12,100	$13,007
Technologists		492,950	634,300	618,823	589,998	721,590	814,461
Total Salary and Benefits - Operations		$501,405	$643,601	$629,053	$601,254	$733,690	$827,468
Total Operating Expenses		$6,461,561	$7,120,535	$7,842,441	$8,613,677	$9,399,125	$10,047,086
Selling, General, and Administrative Expenses							
Support Services - SG&A		$336,530	$370,183	$407,201	$447,922	$481,516	$517,629
Management Fee		100,000	100,000	125,000	150,000	175,000	175,000
SG&A - Other		50,000	50,000	50,000	50,000	50,000	50,000
Total SG&A		$486,530	$520,183	$582,201	$647,922	$706,516	$742,629
Other Income, Expenses, and Taxes							
Interest Expense		$-	$-	$-	$-	$-	$-
Other (Income)/Expense		-	-	-	-	-	-
Misc Taxes		-	-	-	-	-	-
Total Other Income, Expenses, and Taxes		$-	$-	$-	$-	$-	$-
Total Expenses		$6,948,091	$7,640,718	$8,424,642	$9,261,599	$10,105,641	$10,789,716
Net Income (Loss)		$7,409,183	$8,151,634	$8,945,645	$9,850,267	$10,438,802	$11,294,260

[1]Source: Shields management.

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BALANCE SHEET

Shields Imaging of Eastern, MA, LLC Balance Sheet							
	Footnotes	2026	2027	2028	2029	2030	2031
Assets	(1)						
Current Assets							
Cash		$7,026,717	$14,629,409	$23,033,205	$32,280,648	$42,084,896	$52,672,995
Accounts Receivable		2,163,425	2,379,669	2,617,440	2,879,870	3,095,738	3,327,722
Doubtful Accounts		(713,930)	(785,291)	(863,755)	(950,357)	(1,021,594)	(1,098,148)
Total Current Assets		$8,476,212	$16,223,788	$24,786,890	$34,210,161	$44,159,040	$54,902,569
Total Assets		$8,476,212	$16,223,788	$24,786,890	$34,210,161	$44,159,040	$54,902,569
Liabilities and Shareholders' Equity	(1)						
Current Liabilities							
Accounts Payable		$542,028	$587,970	$655,428	$728,433	$788,509	$837,778
Total Current Liabilities		$542,028	$587,970	$655,428	$728,433	$788,509	$837,778
Owners Equity		$7,934,183	$15,635,817	$24,131,462	$33,481,729	$43,370,531	$54,064,791
Total Liabilities and Shareholders' Equity		$8,476,212	$16,223,788	$24,786,890	$34,210,161	$44,159,040	$54,902,569

[1]Source: Shields management.

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CASH FLOW

Shields Imaging of Eastern, MA, LLC
Schedule of Cash Flows[1]

	Footnotes	2026	2027	2028	2029	2030	2031
Operating Activities	(1)						
Net Income		$ 7,409,183	$ 8,151,634	$ 8,945,645	$ 9,850,267	$10,438,802	$11,294,260
Total Cash from Operations		$ 7,409,183	$ 8,151,634	$ 8,945,645	$ 9,850,267	$10,438,802	$11,294,260
Change in Accounts Receivable/Accounts Payable		$ (907,466)	$ (98,942)	$ (91,849)	$ (102,823)	$ (84,555)	$ (106,161)
Net Cash for/from Operations		$ 6,501,717	$ 8,052,692	$ 8,853,796	$ 9,747,444	$10,354,247	$11,188,099
Distribution Activities	(1)						
Cash Contributions (Shields)		$ 525,000	$ -	$ -	$ -	$ -	$ -
Cash Contributions (Partners)		-	-	-	-	-	-
Cash Distributions (Shields)		-	(450,000)	(450,000)	(500,000)	(550,000)	(600,000)
Cash Distributions (Partners)		-	-	-	-	-	-
Net Cash for/from Distributions		$ 525,000	$ (450,000)	$ (450,000)	$ (500,000)	$ (550,000)	$ (600,000)
Net Increase (Decrease) in Cash		$ 7,026,717	$ 7,602,692	$ 8,403,796	$ 9,247,444	$ 9,804,247	$10,588,099
Cash at Beginning of Period		$ -	$ 7,026,717	$14,629,409	$23,033,205	$32,280,648	$42,084,896
Cash at End of Period		$ 7,026,717	$14,629,409	$23,033,205	$32,280,648	$42,084,896	$52,672,995

[1]Source: Shields management.

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