

EMPLOYEE BENEFITS COST ANALYSIS FY2023

Summit Digital Solutions, Inc.

CONFIDENTIAL & PRIVILEGED

Prepared by: Willis Thompson Benefits Consulting

Date: December 15, 2023

1. EXECUTIVE SUMMARY

This analysis presents a comprehensive review of employee benefits costs for Summit Digital Solutions, Inc. ("Company") for Fiscal Year 2023, including projected costs for FY2024. This document is prepared for internal use and M&A due diligence purposes.

2. SCOPE OF ANALYSIS

1. Period Covered: January 1, 2023 - December 31, 2023

2. Employee Population: 385 full-time employees

3. Geographic Distribution:

- Delaware HQ: 125 employees
- California Office: 95 employees
- Texas Office: 85 employees
- Remote Workforce: 80 employees

3. CURRENT BENEFITS PROGRAMS

1. Health Insurance

- Provider: Blue Cross Blue Shield National
- Plan Types: PPO, HDHP with HSA
- Company Contribution: 80% of premium
- Annual Cost: \$4,235,000
- Per Employee Average: \$11,000

2. Dental & Vision

- Provider: Delta Dental / VSP
- Company Contribution: 75% of premium

- Annual Cost: \$462,000
- Per Employee Average: \$1,200

3. 401(k) Plan

- Administrator: Fidelity
- Company Match: 100% up to 4% of salary
- Annual Cost: \$1,925,000
- Participation Rate: 92%

4. Life & Disability Insurance

- Provider: MetLife
- Coverage: 2x base salary (life), 60% salary (LTD)
- Annual Cost: \$308,000
- Per Employee Average: \$800

4. COST ANALYSIS

1. Total Benefits Expenditure FY2023

- Direct Benefits Costs: \$6,930,000
- Administrative Costs: \$385,000
- Third-Party Services: \$175,000
- Total Program Cost: \$7,490,000
- Cost Per Employee: \$19,455

2. Year-over-Year Comparison

- FY2022 Total Cost: \$6,875,000
- FY2023 Total Cost: \$7,490,000
- Increase: 8.9%
- Primary Cost Drivers:
 - Healthcare premium increases (7%)
 - Headcount growth (5%)
 - Enhanced mental health benefits

5. COMPLIANCE AND RISK ASSESSMENT

1. Regulatory Compliance

- ACA Requirements: Fully compliant
- ERISA Filings: Current
- State-Specific Requirements: Compliant in all operating jurisdictions

2. Outstanding Liabilities

- No material unfunded obligations
- All required contributions current
- No pending DOL or IRS investigations

6. FY2024 PROJECTIONS

1. Anticipated Cost Increases

- Healthcare: 8% increase projected
- Dental/Vision: 3% increase projected
- 401(k): 5% increase due to salary adjustments
- Total Projected Cost: \$8,164,100

2. Planned Enhancements

- Enhanced mental health coverage
- Expanded telemedicine options
- Additional voluntary benefits offerings

7. BENCHMARKING

1. Industry Comparison

- Total Benefits Cost: 112% of industry average
- Healthcare Cost: 108% of industry average
- Retirement Benefits: 115% of industry average

2. Competitive Position

- Above market for technology sector
- Aligned with regional competitors
- Strong positioning for talent attraction

8. DISCLAIMERS AND LIMITATIONS

This analysis is based on data available as of December 15, 2023, and contains forward-looking projections that are subject to change. The information contained herein is confidential and proprietary to Summit Digital Solutions, Inc. This document may not be reproduced or distributed without express written consent. All cost projections are estimates and subject to market conditions, regulatory changes, and other factors beyond the Company's control.

9. CERTIFICATION

This analysis has been prepared in accordance with standard actuarial practices and represents a fair and accurate assessment of the Company's employee benefits programs and associated costs.

Prepared by:

/s/ Jennifer Martinez, FSA, MAAA

Lead Consulting Actuary

Willis Thompson Benefits Consulting

Date: December 15, 2023