

409A VALUATION REPORT

Summit Digital Solutions, Inc.

As of December 31, 2023

PREPARED BY:

Valuation Research Partners, LLC

1100 Market Street, Suite 4500

San Francisco, CA 94103

1. EXECUTIVE SUMMARY

This independent valuation report ("Report") has been prepared by Valuation Research Partners, LLC ("VRP") to determine the fair market value of the common stock of Summit Digital Solutions, Inc. (the "Company") as of December 31, 2023 (the "Valuation Date") for purposes of compliance with Section 409A of the Internal Revenue Code.

Based on our analysis and the assumptions described herein, we conclude that the fair market value per share of the Company's common stock as of the Valuation Date is:

\$42.75 per share

2. COMPANY OVERVIEW

Summit Digital Solutions, Inc. is a Delaware corporation founded in 2016 that provides enterprise digital transformation services. The Company's primary offerings include:

- AI/ML implementation services
- IoT systems integration
- Process automation solutions
- Technology-enabled operational optimization
- Proprietary "Peak Performance Platform"

The Company serves mid to large-scale enterprises across manufacturing, logistics, and professional services sectors. As of the Valuation Date, the Company has:

- 385 employees
- Annual revenue of approximately \$87.5 million

- Completed Series C funding round
- Operations in 12 states

3. VALUATION METHODOLOGY

3.1 Selected Approaches

We utilized multiple valuation approaches to determine the fair market value:

Market Approach

- Guideline Public Company Method
- Recent Transaction Method

Income Approach

- Discounted Cash Flow Analysis

Asset Approach

- Net Asset Value Method

3.2 Weighting of Methods

The concluded value reflects the following weighting:

- Market Approach: 40%
- Income Approach: 55%
- Asset Approach: 5%

4. FINANCIAL ANALYSIS

4.1 Historical Performance

Revenue growth (in millions):

- 2021: \$52.3
- 2022: \$69.8
- 2023: \$87.5

EBITDA margins:

- 2021: 18.2%
- 2022: 21.4%
- 2023: 23.8%

4.2 Projections

Management-provided five-year projections indicate:

- Compound annual growth rate: 28%
- Target EBITDA margin: 27% by 2026
- Recurring revenue target: 65% of total revenue

5. VALUATION ANALYSIS

5.1 Market Approach

Guideline public company multiples:

- EV/Revenue: 4.8x - 6.2x
- EV/EBITDA: 16.5x - 19.8x

Recent transaction comparables:

- Median EV/Revenue: 5.4x
- Median EV/EBITDA: 17.2x

5.2 Income Approach

DCF assumptions:

- Discount rate: 18.5%
- Terminal growth rate: 3.5%
- Projected period: 5 years

5.3 Capitalization Table

Pre-money ownership structure:

- Series C Preferred: 28.5%
- Series B Preferred: 22.3%
- Series A Preferred: 15.8%
- Common Stock: 33.4%

6. VALUATION CONCLUSIONS

6.1 Value Indication by Method

- Market Approach: \$44.50 per share

- Income Approach: \$41.75 per share
- Asset Approach: \$39.25 per share

6.2 Final Value Conclusion

Based on the weighted average of approaches and application of appropriate discounts:

- Concluded FMV: \$42.75 per share
- Lack of marketability discount: 15%
- Minority interest discount: 10%

7. LIMITATIONS AND DISCLAIMERS

This Report has been prepared solely for the purpose of compliance with IRC Section 409A and should not be used for any other purpose. VRP has relied upon the accuracy and completeness of information provided by management without independent verification.

This valuation is valid for 12 months from the Valuation Date unless there are material changes to the Company's business, market conditions, or other factors that could significantly impact value.

8. CERTIFICATION

The undersigned certify that, to the best of their knowledge and belief:

- The statements of fact contained in this Report are true and correct
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions
- We have no present or prospective interest in the Company
- Our compensation is not contingent upon the reported value conclusion

Prepared by:

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Sarah Chen, CFA, ASA

Managing Director

Valuation Research Partners, LLC

Date: January 15, 2024

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David Thompson, CPA/ABV

Senior Director

Valuation Research Partners, LLC

Date: January 15, 2024