

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

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Independent Auditors' Report

To the Member of
Speridian Technologies, LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of Speridian Technologies, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income, changes in member equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Speridian Technologies, LLC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the
- financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.

Chicago, IL
June 6, 2025

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 9,765,621
Accounts receivable, net of allowance for credit losses of \$433,156	31,846,521
Contract assets	7,359,882
Prepaid expenses and other current assets	2,290,308
Loans and advances receivable - related party, current portion	<u>4,500,000</u>

Total Current Assets \$ 55,762,332

Property and equipment, net 2,250,650

Other Assets

Loans and advances receivable - related party, net of current portion	4,493,386
Loans and advances receivable - other	66,000
Investments	69,965
Goodwill, net	10,216,027
Operating right-of-use assets	1,597,315
Software development costs	659,692
Other assets	<u>702,880</u>

Total Other Assets 17,805,265

Total Assets \$ 75,818,247

The accompanying notes are an integral part of these consolidated financial statements.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2023

Liabilities and Member Equity

Current Liabilities

Accounts payable	\$ 8,253,004
Accrued expenses	5,094,785
Accrued salaries and wages	3,433,111
Contract liabilities	1,208,521
Income taxes payable	1,381,671
Current portion of long-term debt	4,500,000
Loans and advances - other	267,733
Operating lease liabilities, current portion	<u>708,314</u>

Total Current Liabilities \$ 24,847,139

Other Liabilities

Operating lease liabilities, net of current portion	901,586
Long-term debt, net of current portion	<u>9,750,000</u>

Total Other Liabilities 10,651,586

Total Liabilities 35,498,725

Member Equity 40,319,522

Total Liabilities and Member Equity \$ 75,818,247

The accompanying notes are an integral part of these consolidated financial statements.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

Revenue		
IT consulting and services	\$ 172,950,398	
IT consulting and services - related party	<u>6,381,924</u>	
Total Revenue		\$ 179,332,322
Cost of Revenue		
Salaries and wages	66,816,320	
Consulting Fees	42,681,502	
Software licenses	16,806,901	
Other	<u>897,663</u>	
Total Cost of Revenue		<u>127,202,386</u>
Gross Profit		52,129,936
Operating Expenses		
Selling, general and administrative	36,957,371	
Depreciation and amortization expense	<u>2,314,707</u>	
Total Operating Expenses		<u>39,272,078</u>
Income From Operations		<u>12,857,858</u>
Other Income (Expense)		
Foreign exchange	(13,951)	
Interest expense	(431,392)	
Interest income	446,272	
Other income	<u>782,915</u>	
Total Other Income (Expense)		<u>783,844</u>
Income Before Provision for Income Taxes		13,641,702
Income tax expense		<u>(1,335,471)</u>
Net Income		12,306,231
Other Comprehensive Income		
Foreign currency translation adjustments		<u>668,981</u>
Comprehensive Income		<u>\$ 12,975,212</u>

The accompanying notes are an integral part of these consolidated financial statements.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBER EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Member Equity	Accumulated Other Comprehensive Income	Total
Balance as of January 1, 2023	\$ 38,300,502	\$ (203,120)	\$ 38,097,382
Distributions	(10,753,072)	--	(10,753,072)
Net income	12,306,231	--	12,306,231
Foreign currency translation adjustments	--	668,981	668,981
Balance as of December 31, 2023	<u>\$ 39,853,661</u>	<u>\$ 465,861</u>	<u>\$ 40,319,522</u>

The accompanying notes are an integral part of these consolidated financial statements.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities		
Net income		\$ 12,306,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 690,152	
Provision for credit losses	872,916	
Amortization of goodwill	1,624,555	
Amortization of operating right-of-use assets	(1,042,587)	
Changes in operating assets and liabilities:		
Accounts receivable	(5,506,665)	
Contract assets	(1,248,928)	
Other asset	(80,135)	
Prepaid expense and other current assets	2,505,884	
Accounts payable	(418,139)	
Contract liabilities	(7,116,189)	
Accrued expenses	1,946,333	
Accrued salaries and wages	(52,852)	
Income tax payable	687,030	
Operating lease liabilities	<u>1,051,000</u>	
Total Adjustments		<u>(6,087,625)</u>
Net Cash Provided by Operating Activities		6,218,606
Cash Flows From Investing Activities		
Payments for acquisition of property and equipment	(792,367)	
Payments for software development costs	(659,692)	
Goodwill	(369,043)	
Loans and advances - related party	<u>(3,549,602)</u>	
Net Cash Used in Investing Activities		(5,370,704)
Cash Flows From Financing Activities		
Loans and advances - other	(29,329)	
Proceeds from bank loans	7,874,997	
Payments on bank loans	(6,624,997)	
Distributions	<u>(865,709)</u>	
Net Cash Used in Financing Activities		<u>354,962</u>
Increase in Cash and Cash Equivalents		1,202,864
Effect of foreign currency exchange rates		668,981
Cash and Cash Equivalents - Beginning		<u>7,893,776</u>
Cash and Cash Equivalents - Ending		<u><u>\$ 9,765,621</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest		<u>\$ 827,813</u>
Cash paid for income taxes		<u>\$ 702,489</u>
Non-cash distribution of member receivable		<u><u>\$ 9,887,363</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - NATURE OF OPERATIONS

NATURE OF OPERATIONS

Speridian Technologies, LLC (the “Company”) was incorporated under the laws of the State of Delaware in 2003. The Company provides information technology services and solutions such as product development, onsite consulting, onsite and offsite project development, in-house application installation and hosted application services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the accounts of Speridian Technologies, LLC, and its wholly owned subsidiaries, Speridian Technologies Canada, Speridian Technologies Pvt. Ltd India, Sesame India, Speridian Singapore, Speridian Technologies Pakistan, ST Infosystems Saudi Arabia, ST Infosystems Abu Dhabi, ST Infosystems Dubai, Speridian Malaysia, and MVP Consulting Plus Inc. All significant intercompany transactions have been eliminated in consolidation.

FORMATION OF ORGANIZATION

The Company is a Limited Liability Company (“LLC”), which is governed by an operating agreement (“Agreement”) and is managed by its owner (“Member”). The more significant provisions of the Agreement includes the following:

- Profit and loss allocations and cash distributions are in accordance with ownership percentages,
- There is a single class of member, and
- The LLC has an unlimited life.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*,” commonly referred to as the Current Expected Credit Loss (“CECL”) model. The CECL model replaces the previous incurred loss impairment methodology with an approach based on expected credit losses. This new standard requires the Company to record an allowance for estimated credit losses on financial assets, including loans and other instruments, at the time of origination or acquisition. The standard necessitates the use of historical information, current conditions, and reasonable and supportable forecasts to estimate the expected credit losses over the entire contractual term of the instrument.

The Company adopted ASU 2016-13 on January 1, 2023, using the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s financial statements. Additional disclosures have been provided to enhance the understanding of the changes in the credit loss estimates and the impact on the consolidated financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts may differ from these estimated amounts.

CASH AND CASH EQUIVALENTS

The Company considers cash equivalents to be all highly liquid debt investments with a maturity of three months or less when purchased.

CASH BALANCES IN EXCESS OF INSURED AMOUNTS

The Company maintains its cash in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses due to these limits.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of amounts billed and currently due from customers. The Company maintains an allowance for credit losses for estimated losses. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors and is adjustable for current conditions and reasonable and supportable forecasts.

Certain accounts receivable may be fully reserved when the Company becomes aware of any specific collection issues. The Company periodically reviews the aging of receivables, payment history and customer creditworthiness to determine if adjustments to the allowance for credit losses are necessary. As of December 31, 2023, the Company has estimated allowance for credit losses of \$433,156.

The following table presents the changes in the allowance for credit losses for the year ended December 31, 2023:

Beginning balance, January 1, 2023	\$ --
Provisions	872,916
Write offs, net of recoveries or other adjustments	<u>(439,760)</u>
Ending Balance, December 31, 2023	<u><u>\$ 433,156</u></u>

Net receivables from customers were \$31,846,521 and \$27,212,772 as of December 31, 2023 and January 1, 2023, respectively, and are included in accounts receivable on the balance sheet.

PROPERTY AND EQUIPMENT, NET

Property and equipment are carried at cost less accumulated depreciation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 15 years. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the term of the lease, whichever is shorter.

Repair and maintenance expenditures are expensed as incurred.

LONG-LIVED ASSETS

Long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its fair value which is based on estimated undiscounted future cash flows. An impairment charge, if any, is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairment indicators as of December 31, 2023.

REVENUE RECOGNITION

The Company and its subsidiaries generate its revenue through information technology services, global hosting and operational services. Revenue is recognized when control of a good or service is transferred to a customer. Control is considered to be transferred when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits of that good or service. The Company recognizes revenue by applying the following five step approach: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as a performance obligation is satisfied.

Revenues are generated from providing technology solutions in the form of software customization across various industries. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company performs under various types of contracts, which include fixed-price and time-and-materials contracts. Under fixed-price contracts, the Company agrees to perform the specified work for a pre-determined price. To the extent its actual costs vary from the estimates upon which the price was negotiated, the Company will generate more or less profit or could incur a loss. Under time and materials contracts, the Company agrees to perform the specified work for a pre-determined rate per hour, as well as the reimbursement of other direct billable costs which are presented on a gross basis. The Company has a right

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

to consideration from the customer in an amount that corresponds directly with the value of the Company's performance and recognizes revenue in the amount to which the Company has a right to invoice (the "right to invoice" practical expedient).

The Company evaluates the products or services promised in each contract at inception to determine whether the contract should be accounted for as having one or more performance obligations. Contract revenues are primarily derived from time and material contracts, which are billed to customers as work is performed. The Company determined that time and material contracts cover a single performance obligation, with transfer of control continuously as the customer simultaneously receives and consumes the benefits. Therefore, revenue for time and material contracts is considered to be recognized over time. In limited cases, the Company's contracts have more than one distinct performance obligation, which occurs when it performs activities that are not highly complex or interrelated. Significant judgment is required in determining performance obligations, and these determinations could change the amount of revenue and profit recorded in a given period.

At the inception of a contract, the Company estimates the transaction price based on its current rights and does not contemplate future modifications until they become legally enforceable. Contracts are often subsequently modified to include changes in specifications, requirements or price, which may create new or change existing enforceable rights and obligations. Depending on the nature of the modification, the Company considers whether to account for the modification as an adjustment to the existing contract or as a separate contract.

For fixed-price contracts, the Company presents revenues recognized in excess of billings as contract assets on the balance sheet. Amounts billed and due from our customers are classified as receivables on the balance sheet.

Contract liabilities consist of advance billings or payments received in advance that relate to services to be rendered in a future period and recognized as revenue in the period earned.

Contract assets and liabilities were \$7,359,882 and \$1,208,521 as of December 31, 2023.

ADVERTISING AND MARKETING

The Company expenses advertising and marketing costs as they are incurred.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SOFTWARE DEVELOPMENT COSTS

Software development costs are capitalized in accordance with ASC 985-20, “Costs of Software to be Sold, Leased, or Marketed.” Capitalization of software development costs begins upon the establishment of technological feasibility and is discontinued when the product is available for sale. The establishment of technological feasibility and the ongoing assessment for recoverability of capitalized computer software development costs require considerable judgment by management with respect to certain external factors including but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life, and changes in software and hardware technologies. Capitalized software development costs are comprised primarily of salaries and direct payroll related costs. Total capitalized software development costs were \$659,692 for the year ended December 31, 2023.

Amortization of software development costs is calculated on a product-by-product basis on the straight-line method over the three year estimated economic life of the products, commencing when the product is available for general release to customers. The Company expects future amortization expense to vary due to increases in capitalized software development costs.

The Company tests software development costs for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

GOODWILL

Goodwill relates to the excess purchase price over the fair value of certain assets acquired and liabilities assumed in business combinations. The Company has elected to adopt the accounting alternative permitting the amortization of goodwill on a straight-line basis over a period of ten years. The Company has elected to include certain identifiable intangible assets into goodwill and does not separately recognize or disclose these intangible assets in its consolidated financial statements.

The Company has elected to test goodwill for impairment at the entity level upon the occurrence of a triggering event at the end of the reporting period. When a triggering event occurs, the Company has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If the qualitative assessment indicates it is more likely than not that goodwill is impaired, the Company must perform the quantitative test to compare the reporting unit’s fair value with its carrying amount, including goodwill. If the qualitative assessment indicates it is not more likely than not that goodwill is impaired,

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL (CONTINUED)

further testing is unnecessary. The Company records impairment when the reporting unit's carrying value exceeds its fair value. Any impairment losses will be recognized in the year identified. At December 31, 2023, the Company determined there were no triggering events requiring the need to evaluate goodwill for impairment.

INCOME TAXES

The Company accounts for income taxes under FASB ASC 740, "Income Taxes" ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. The Company is formed as a Limited Liability Company and profits and losses of the Company are passed through to its member. Accordingly, except for various state income tax obligations, the Company will not incur additional income tax liability. MVP Consulting Plus Inc, and Business Advantage Consulting Inc are C corporations and pay tax on their taxable income. Speridian Canada, Speridian Technologies Pvt. Ltd. and Sesame India are foreign entities and pay tax on their taxable income. The Company recognized deferred tax assets of \$237,145 as of December 31, 2023, which was included in prepaid expenses and other current assets.

FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term maturity of these instruments. The estimated fair values of the Company's long-term debt approximate carrying values as the interest rates under the loan agreements either approximate current market rates or there were not significant fluctuations in current market rates to change the fair values of the underlying instruments.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2025, the date which the consolidated financial statements were available to be issued.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2023 consist of the following:

Computers	\$ 4,062,432
Furniture and Fixtures	883,198
Building Improvements	784,091
Equipment	521,503
Software	259,904
Vehicles	<u>231,446</u>
Subtotal	6,742,574
Less: Accumulated depreciation and amortization	<u>(4,491,924)</u>
Property and Equipment, Net	<u><u>\$ 2,250,650</u></u>

Depreciation expense for the year ended December 31, 2023 was \$690,152.

NOTE 4 – GOODWILL

The total carrying amount of goodwill as of December 31, 2023 was \$10,216,027, net of accumulated amortization of \$6,029,525. Amortization expense related to goodwill for the year ended December 31, 2023 was \$1,624,555.

The following table represents future estimated amortization of goodwill:

For the Years Ending December 31,	Amount
2024	\$ 1,624,555
2025	1,624,555
2026	1,624,555
2027	1,524,555
2028	1,324,555
Thereafter	<u>2,493,252</u>
Total	<u><u>\$ 10,216,027</u></u>

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 5 - LINE OF CREDIT AND TERM NOTE

The Company has a \$13,000,000 line of credit with BOKF, NA dba Bank of Texas (“BOKF”), with which the Company is jointly and severally liable along with its sole member, Speridian Global Holdings, LLC, and a related party under common ownership, TrueCoverage, LLC. Interest is payable monthly at the Secured Overnight Financing Rate (“SOFR”) (5.35% at December 31, 2023) plus 2.9% until maturity on December 31, 2025. Borrowings are collateralized by substantially all assets of the Company. The balance outstanding on the line of credit was \$6,000,000 as of December 31, 2023. Interest expense was \$392,451 for the year ended December 31, 2023.

The Company has a term loan with BOKF dated November 3, 2022 (“Senior Loan”), with which the Company is jointly and severally liable along with Speridian Global Holdings, LLC and TrueCoverage, LLC. Principal payments of \$375,000 plus interest at the SOFR plus 2.9% are payable monthly until the loan’s maturity on October 11, 2025. Borrowings are collateralized by substantially all assets of the Company. The balance outstanding on the loan was \$8,250,000 as of December 31, 2023, of which \$4,500,000 is due in 2024 and the remainder is due in 2025. In conjunction with the Senior Loan, the Company advanced the proceeds from the loan to TrueCoverage, LLC under the same interest and payment terms as the Senior Loan with the bank. The balance due from TrueCoverage, LLC is \$8,250,000 as of December 31, 2023, and is included in loans and advances receivable – related party in the balance sheet. Interest expense was \$422,004 for the year ended December 31, 2023.

Pursuant to the terms of the agreements, the Company is required to adhere to certain financial covenants. The Company was in compliance with the covenants as of December 31, 2023.

On October 8, 2024, the Company and BOKF amended the Senior Loan to increase the permitted outstanding principal balance to \$14,875,000 and extend the maturity date of the Senior Loan to December 7, 2027. In addition, the amended agreement extended the maturity date of the line of credit to October 7, 2027.

Future minimum payments for the term note are as follows:

For the Years Ending December 31,	Amount
2024	\$ 4,500,000
2025	<u>3,750,000</u>
Total	<u>\$ 8,250,000</u>

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 6 - LEASES

The Company leases office spaces in New Mexico, Hawaii, Irvine, Maryland, Tennessee, Texas, Montana, Canada, Pakistan, Dubai and India under operating leases. The Company leases its office located at 2400 Louisiana NE, Albuquerque, New Mexico from members of its parent company who are the owners of that building.

The lease agreements expire at various times through December 31, 2025 with fixed payment terms and do not include any variable lease payments, material residual value guarantees or restrictive covenants.

Lease costs for the year ended December 31, 2023 amounted to approximately \$1,539,000, and is included in selling, general and administrative expenses on the consolidated statement of income.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2023:

Right-of-Use - Lease Assets	<u>\$ 1,597,315</u>
Current portion of operating lease liabilities	\$ 708,314
Operating lease liabilities	<u>901,586</u>
Total Lease Liabilities	<u><u>\$ 1,609,900</u></u>

Weighted average lease term and discount rate as of December 31, 2023, were as follows:

	<u>Operating Lease</u>
Weighted average remaining lease term	1.4 years
Weighted average discount rate	4%

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 6 – LEASES (CONTINUED)

The maturities of operating lease liabilities as of December 31, 2023, are approximately as follows:

For the Years Ending December 31,	Related Party	Other	Total
2024	\$ 198,000	\$ 893,010	\$ 1,091,010
2025	115,500	394,590	510,090
2026	<u>--</u>	<u>58,078</u>	<u>58,078</u>
Total Future Lease Payments	313,500	1,345,678	1,659,178
Less: Imputed interest	<u>(9,200)</u>	<u>(40,078)</u>	<u>(49,278)</u>
Present Value of Lease Liabilities	304,300	1,305,600	1,609,900
Less: Current portion	<u>(189,945)</u>	<u>(518,369)</u>	<u>(708,314)</u>
Long-Term Portion	<u>\$ 114,355</u>	<u>\$ 787,231</u>	<u>\$ 901,586</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company has engaged in various transactions with related parties during the year ended December 31, 2023. Related parties consist of entities and individuals with significant influence over or control of the Company. The related party transactions disclosed below occurred in the normal course of business.

DUE TO/FROM RELATED PARTY

At December 31, 2023, the Company is owed by TrueCoverage, LLC amounts for services rendered of \$2,574,627. The balance is included in accounts receivable, net and is subject to the Company's standard payment terms. In addition, as of December 31, 2023, the Company has unbilled services provided to TrueCoverage, LLC totaling \$668,608, which are included in contract assets.

At December 31, 2023, the Company owed TrueCoverage, LLC amounts in connection with shared use of software in the amount of \$724,218 which is included in accrued expenses. In addition, the company owed TrueCoverage, LLC \$18,300 at December 31, 2023 for expenses which is included in accounts payable.

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED)

EMPLOYEE ADVANCES

As of December 31, 2023, the Company advanced salaries to certain employees of the company. As of December 31, 2023 employee advances were \$84,191 and are included in prepaid expenses and other assets on the consolidated balance sheet.

LOANS AND ADVANCES - RELATED PARTIES

At December 31, 2023, the Company is owed by TrueCoverage, LLC a total of \$8,250,000 in connection with proceeds from a term loan between the Company and a bank (see Note 5). The loan was given to TrueCoverage, LLC for the express purpose of providing working capital. Terms of the loan are the same as the bank loan. Interest income on the loan was \$383,063 for the year ended December 31, 2023. In addition, at December 31, 2023 the Company has advanced \$743,386 to certain owners of the Company's member. These advances are non-interest bearing and receivable on demand.

REVENUES AND EXPENSES - RELATED PARTIES

For the year ended December 31, 2023, the Company earned revenues totaling \$6,381,924 from services provided to TrueCoverage, LLC. The Company incurred \$865,193 in expenses for equipment from TrueCoverage, LLC for the year ended December 31, 2023, which are included in operating expenses.

The Company leases its office located at 2400 Louisiana NE, Albuquerque, New Mexico from its members who are the owners of that building (see Note 6).

SPERIDIAN TECHNOLOGIES, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 8 – RETIREMENT PLAN

The Company maintains a qualified 401(k) plan (the “401(k) Plan”) to provide retirement benefits for eligible employees. Eligible employees are able to participate in the 401(k) Plan immediately upon hire.

The Company reserves the right to make discretionary matching contributions equal to 50% of the participant’s deferral, up to a maximum of 6%, subject to certain IRS limitations. Employees can opt out of the plan or change their contributions at any time. There were no employer contributions for the years ended December 31, 2023.

NOTE 9 – CONTINGENCIES

In the ordinary course of business, the Company is subject to legal proceedings regarding contractual and employment relationships and a variety of other matters. The Company records contingent liabilities resulting from such claims, when a loss is assessed to be probable and the amount of the loss is reasonably estimable.