

Quality of Tech (QoT™) Diagnostic Report:

Initial Assessment

Company Assessed: Acme Solutions, LLC (Generic LMM Portfolio Co.)

Industry: B2B SaaS / Tech-Enabled Services

Date of Assessment: January 2026

Executive Summary

QoT Score: 38 / 60

Investment Risk Rating: Tier 3 (Stabilization Required)

Acme Solutions presents a moderate-to-high technical risk profile. While the current IT expenditure is visible and appears manageable (**Tier 2 Financial**), significant hidden liabilities exist within **Risk & Governance** and **Scalability**. The core proprietary platform has high technical debt, and a critical leadership gap (no dedicated CTO/CIO) is creating single points of failure.

Key Findings:

- Quantified Liability (CapEx Adjustment):** \$1.2M is required to re-platform critical, highly customized components to facilitate future integration and scalability.
- Immediate Value Creation (OpEx Savings):** \$150K in annual OpEx can be saved through the rationalization of dormant SaaS licenses and cloud infrastructure optimization.
- Critical 100-Day Priority:** Immediate fractional CISO engagement to establish a Disaster Recovery (DR) plan and address critical PII compliance gaps.

I. QoT Score Breakdown

The total QoT Score of 38 out of 60 maps directly to a Tier 3 (Stabilization Required) Investment Risk Rating. This indicates that while the deal is viable, **significant technical remediation is required** to protect the investment and unlock the full potential of the Value Creation Plan (VCP).

Domain	Max Points	Achieved Score	Tier Rating	Key Driver
1. Risk & Governance	15	7	Tier 4 (High Risk)	No viable DR plan; lack of formal security policy.

2. Financial Quantification	15	12	Tier 2 (Low Risk)	Clear IT budget tracking; minor OpEx savings identified.
3. Scalability & VCP	15	8	Tier 3 (High Risk)	Brittle core platform (monolithic architecture) prevents rapid M&A integration.
4. Talent & Organization	15	11	Tier 2 (Low Risk)	Existing IT team is capable; leadership vacuum (CTO/CIO vacant) is the primary risk.
TOTAL	60	38	Tier 3	Immediate stabilization and re-platforming planning necessary.

II. Detailed Domain Findings and Recommendations

Domain 1: Risk & Governance (Score: 7 / 15)

Metric	Finding	QoE Impact / Risk
Disaster Recovery (DR)	No formal, tested DR plan in place. Recovery Time Objective (RTO) is	Deal Risk: Catastrophic failure risk; business continuity threatened.

	unknown.	
Cyber Security	Reliance on basic perimeter security; no dedicated CISO oversight or internal phishing training.	CapEx Impact: \$200K needed for immediate security tooling and hardening.
Compliance (PII/GDPR)	Personally Identifiable Information (PII) is stored in unsegmented databases, increasing compliance liability.	Legal Liability: High regulatory fine risk until data segmentation is implemented.

Tier 3/4 Remediation Mandate:

- **100-Day Plan:** Appoint a Fractional CISO to implement immediate security policies and begin PII segmentation efforts.
- **Financial Adjustment:** Recommend a **\$200K CapEx deduction** in purchase price for necessary immediate security hardening.

Domain 2: Financial Quantification (Score: 12 / 15)

Metric	Finding	QoE Impact / Value Creation
OpEx Rationalization	Identified 15 redundant licenses (SaaS, Development tools) not actively used.	OpEx Add-Back: \$150K annual EBITDA positive adjustment achievable within 6 months.
IT Spend Visibility	Strong documentation of current run-rate OpEx and personnel costs.	Positive: Low financial uncertainty; budget is auditable.
Technical Debt Cost	Brittle platform requires excessive manual effort for maintenance and feature deployment.	Hidden OpEx: Engineering time lost to maintenance (approx. 25% of development payroll).

Value Creation Mandate:

- **Immediate Action:** Execute license rationalization immediately post-close to realize the \$150K OpEx add-back.

Domain 3: Scalability & VCP (Score: 8 / 15)

Metric	Finding	VCP Risk / Growth Potential
Buy-and-Build Readiness	Core system integration layer is absent; M&A targets cannot be easily merged onto the platform.	High VCP Risk: Target M&A synergies will be delayed by 9-12 months minimum.
Platform Architecture	Monolithic codebase with heavy, undocumented customization.	CapEx Adjustment: \$1.2M estimated cost to modularize key components for scalability.
Data & Analytics	Data is siloed across three primary systems, making reporting slow and unreliable.	EBITDA Risk: Data monetization opportunities are currently blocked.

Growth Acceleration Mandate:

- **Strategic Action:** Initiate a dedicated "Platform Modularization" project in Year 1, budgeted for **\$1.2M (CapEx)**, to address customization debt and unlock M&A integration potential.

Domain 4: Talent & Organization (Score: 11 / 15)

Metric	Finding	Organizational Risk
Executive Leadership	CIO role vacant; tech decisions handled by the CEO.	Critical Risk: Lack of strategic technology vision and execution oversight.
Talent Retention	High reliance on a single, long-tenured developer ("system architect") who	Key-Person Risk: Loss of this individual represents significant knowledge

	holds critical system knowledge.	erosion.
Documentation	Core processes are undocumented; most tribal knowledge resides with individuals.	Organizational Liability: Increases transition risk and operational inefficiency.

Organizational Mandate:

- **100-Day Plan:** Engage an **Interim/Fractional CIO** to provide strategic oversight, address the talent gap, and begin formal documentation capture immediately.

III. Conclusion: QoT-to-QoE Bridge Summary

Financial Metric	Adjustment	Rationale
CapEx Deduction	\$1.4M	\$1.2M for required platform modularization + \$200K for immediate security hardening.
OpEx Add-Back	\$150K (Annual)	Identified savings from dormant SaaS license rationalization.
Total QoE Adjustment	\$1.25M Net Liability	Required immediate investment to mitigate risk and enable the Value Creation Plan.

Recommendation: Proceed with the deal only if the \$1.4M CapEx liability is reflected in the final purchase price to account for necessary post-close stabilization and VCP execution.