

# 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.
<b>TOTAL</b>	<b>60</b>	<b>38</b>	<b>Tier 3</b>	<b>Immediate stabilization and re-platforming planning necessary.</b>

## 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	<b>Deal Risk:</b> Catastrophic failure risk; business continuity threatened.

	unknown.	
<b>Cyber Security</b>	Reliance on basic perimeter security; no dedicated CISO oversight or internal phishing training.	<b>CapEx Impact:</b> \$200K needed for immediate security tooling and hardening.
<b>Compliance (PII/GDPR)</b>	Personally Identifiable Information (PII) is stored in unsegmented databases, increasing compliance liability.	<b>Legal Liability:</b> 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
<b>OpEx Rationalization</b>	Identified 15 redundant licenses (SaaS, Development tools) not actively used.	<b>OpEx Add-Back:</b> \$150K annual EBITDA positive adjustment achievable within 6 months.
<b>IT Spend Visibility</b>	Strong documentation of current run-rate OpEx and personnel costs.	<b>Positive:</b> Low financial uncertainty; budget is auditable.
<b>Technical Debt Cost</b>	Brittle platform requires excessive manual effort for maintenance and feature deployment.	<b>Hidden OpEx:</b> 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.	<b>High VCP Risk:</b> Target M&A synergies will be delayed by 9-12 months minimum.
Platform Architecture	Monolithic codebase with heavy, undocumented customization.	<b>CapEx Adjustment:</b> \$1.2M estimated cost to modularize key components for scalability.
Data & Analytics	Data is siloed across three primary systems, making reporting slow and unreliable.	<b>EBITDA Risk:</b> 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.	<b>Critical Risk:</b> Lack of strategic technology vision and execution oversight.
Talent Retention	High reliance on a single, long-tenured developer ("system architect") who	<b>Key-Person Risk:</b> Loss of this individual represents significant knowledge

	holds critical system knowledge.	erosion.
Documentation	Core processes are undocumented; most tribal knowledge resides with individuals.	<b>Organizational Liability:</b> 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	<b>\$1.4M</b>	\$1.2M for required platform modularization + \$200K for immediate security hardening.
OpEx Add-Back	<b>\$150K (Annual)</b>	Identified savings from dormant SaaS license rationalization.
Total QoE Adjustment	<b>\$1.25M Net Liability</b>	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.