

**Report of Organizational Actions
 Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Superior Drilling Products, Inc.		2 Issuer's employer identification number (EIN) 46-4341605	
3 Name of contact for additional information Investor Relations	4 Telephone No. of contact 832-742-8520	5 Email address of contact InvestorRelations@drillingtools.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 3701 Briarpark Ste 150		7 City, town, or post office, state, and ZIP code of contact Houston, TX, 77042	
8 Date of action August 1, 2024		9 Classification and description Common Stock and cash consideration	
10 CUSIP number 868153107	11 Serial number(s)	12 Ticker symbol SDPI	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On March 6, 2024, Drilling Tools International ("DTI") announced its entry into an Agreement and Plan of Merger with Superior Drilling Products, Inc. ("SDPI"), DTI Merger Sub I, Inc. ("Merger Sub I"), and DTI Merger Sub II, LLC ("Merger Sub II"). Pursuant to the conditions set for in the SDPI Merger Agreement, there was a two-part Merger on August 1, 2024. Under the First Merger, Merger Sub I was merged with and into SDPI, with SDPI continuing as the surviving corporation. Under the Second Merger, SDPI merged with Merger Sub II, with Merger Sub II continuing as the surviving limited liability company. Following the consummation of the SDPI Merger, all of the property rights, powers, privileges, and franchises of SDPI, the Initial Surviving Company, and the Surviving Company was vested in DTI Merger Sub II, LLC as a wholly owned subsidiary of DTI.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ As of result of this transaction, U.S. holders of SDPI Common Stock exchanged their shares of SDPI Common Stock for the cash consideration and DTI Common Stock. Each share of SDPI Common Stock issued immediately prior to the First Merger, was converted to the right to receive and subject to proration in accordance with the Merger Agreement for either: (1) for each cash election Share, \$1.00 per share in cash, or (2) for each stock election share, 0.313 shares of DTI Common Stock, par value \$0.0001 per share. For each no election share, the cash or stock election consideration (and if the product exceeds the maximum share amount), then all cash elections and non election share will be exchanged for the cash election consideration and the portion of the stock election shared will be exchanged for a portion of the Stock Election Shares equal to the product obtained by multiplying the number of such holder's Stock Election Shares by a fraction, with the remaining portion of such holder's Stock Election Shares being exchanged for the Cash Election Consideration.

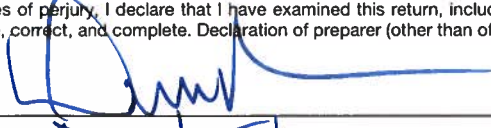
16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ Provided that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, the tax basis of the DTI common stock received by each U.S. holder is expected to be the same as the basis of the SDPI common stock exchanged (i.e., carryover basis). The tax basis of the DTI common stock received by each SDPI common stockholder is expected to be the same as the basis of the SDPI common stock exchanged (i.e., carryover basis), reduced by the amount of cash consideration received on the exchange and increased by the amount of any gain or dividend income recognized upon the exchange. All U.S. holders are urged to consult their own tax advisors for a full understanding of the U.S. federal, state, local, and non-U.S. tax consequences of the merger to them.

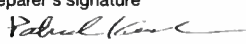
Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Section 368, Section 1012, Section 1001, Section 358, Section 302.

18 Can any resulting loss be recognized? ▶ Provided that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, the Merger Agreement provides for cash consideration to the SDPI common stockholders upon conversion to DTI common Stock. Accordingly, DTI common stockholders may recognize gain, but will not be permitted to recognize loss. All DTI stockholders are urged to consult their own tax advisors for a full understanding of the U.S. federal, state, local, and non-U.S. tax consequences of the merger to them.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Any adjustments would generally be reportable in the tax year ended December 31, 2024 (in the case of a common stockholder utilizing a calendar year end). However, stockholders are advised to consult their own tax advisor regarding the proper reportable tax year.

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.
Signature ▶  Date ▶ 10/14/2024
Print your name ▶ David Johnson Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Patrick Kessler		10/12/2024		P01345182
	Firm's name ▶ KPMG LLP			Firm's EIN ▶	13-5565207
	Firm's address ▶ 811 Main Street, Suite 4500, Houston, TX 77002			Phone no.	(713) 319-2000

Summary of Tax Consequences

The following are the tax consequences for U.S. holders of Superior Drilling Products, Inc. (“SDPI”) Common Stock that exchanged their shares of SDPI Common Stock for cash consideration and Drilling Tools International Corporation (“DTI”) Common Stock.

I. Introduction

On March 6, 2024, DTI announced its entry into an Agreement and Plan of Merger with SDPI, DTI Merger Sub I, Inc. (“Merger Sub I”), and DTI Merger Sub II, LLC (“Merger Sub II”). Pursuant to the conditions set for in the SDPI Merger Agreement, on August 1, 2024, a two-part Merger was commenced. Under the First Merger, Merger Sub I was merged with and into SDPI, with SDPI continuing as the surviving corporation. Under the Second Merger, SDPI was merged with Merger Sub II, with Merger Sub II continuing as the surviving limited liability company. Following the consummation of the SDPI Merger, all of the property rights, powers, privileges, and franchises of SDPI, the Initial Surviving Company, and the Surviving Company were vested in DTI Merger Sub II, LLC as a wholly owned subsidiary of DTI.

As of result of this transaction, U.S. holders of SDPI Common Stock exchanged their shares of SDPI Common Stock for the cash consideration and DTI Common Stock. Each share of SDPI Common Stock issued immediately prior to the First Merger, was converted to the right to receive and subject to proration in accordance with the Merger Agreement either: (1) for each cash election Share, \$1.00 per share in cash, or (2) for each stock election share, 0.313 shares of DTI Common Stock, par value \$0.0001 per share. For each no election share, the cash or stock election consideration (and if the product exceeds the maximum share amount), then all cash elections and non-election share were exchanged for the cash election consideration and the portion of the stock election shared will be exchanged for a portion of the Stock Election Shares equal to the product obtained by multiplying the number of such holder’s Stock Election Shares by a fraction, with the remaining portion of such holder’s Stock Election Shares being exchanged for the Cash Election Consideration.

This document is intended to provide a summary of certain U.S. federal income tax consequences to U.S. holders of DTI Common Stock that exchanged their shares of SDPI Common Stock for the cash consideration and DTI Common Stock pursuant to the Merger. This document does not constitute tax advice and does not address any special tax rules (including, but not limited to, the alternative minimum tax) or the tax consequences in any state, local, or foreign jurisdiction.

The actual tax consequences of the Merger to you may be complex and will depend on your specific tax situation. Please consult your own tax adviser to determine the U.S. income tax consequences of the transaction to you in light of your own personal circumstances as well as any other tax consequences under any state, local, or foreign tax authorities.

For purposes of the following discussions, each SDPI Common Stockholder is an individual citizen or resident of the United States who purchased SDPI Common Stock for cash and held such shares as a capital asset within the meaning of section 1221. This document does not generally apply to any shares held in tax-deferred accounts, such as 401(k) or IRA accounts. Further, the following summary is premised on the merger qualifying as a tax-free exchange

II. Summary of Certain U.S. Federal Income Tax Consequences

The parties intend for the First Merger and Second Merger, taken together, to qualify as a reorganization within the meaning of Section 368(a) of the Code. If the Merger does not qualify as a “reorganization” within the meaning of Section 368(a) of the Code, a U.S. holder of SDPI Common Stock generally would recognize gain or loss for U.S. federal income tax purposes on each share of SDPI Common Stock surrendered in the Merger in an amount equal to the difference between the fair market value, and the adjusted tax basis at the time of the Merger

A. Tax Basis

The tax basis of the DTI Common Stock received by each SDPI Common Stockholder is expected to be the same as the basis of the SDPI Common Stock exchanged (i.e., carryover basis).

B. Gain/Loss

In general, no gain is recognized solely as a result of the exchange of SDPI Common Stock for DTI Common Stock. No loss is recognized solely as a result of the exchange of SDPI Common Stock for DTI Common Stock.

When a U.S. Holder exchanges SDPI common stock for DTI Common Stock and cash, they may recognize gain but not loss, based on the difference between their adjusted tax basis in the surrendered SDPI common stock and the combined fair market value of received DTI Common Stock and cash. The recognized gain equals the lesser of: (i) the sum of cash and the fair market value of the DTI Common Stock received minus the adjusted tax basis of the surrendered SDPI common stock, or (ii) the cash consideration received. Any gain recognized is generally treated as a capital gain if the holding period for the surrendered SDPI Common Stock exceeds one year.

A U.S. holder who receives solely cash for shares of SDPI Common Stock, and does not otherwise own any DTI Common Stock, will generally recognize gain or loss equal to the difference between the amount of cash received by a U.S. holder of the SDPI Common Stock and such U.S. holder’s tax basis in such U.S. holder’s shares of SDPI Common Stock.

A U.S. holder of SDPI Common Stock who receives cash instead of a fractional share of DTI Common Stock will be treated as having received the fractional share of DTI Common Stock pursuant to the Merger and then as having sold that fractional share for cash. As a result, generally such U.S. holder will recognize gain or loss equal to the difference between the amount of cash received and the basis allocable to such holder’s fractional share of DTI Common Stock.

C. Holding Period

The holding period for SDPI Common Stock received in exchange for DTI Common Stock

pursuant to the Merger includes the period during which the stockholder held the SDPI Common Stock, provided that the SDPI Common Stock were held as a capital asset by such holder at the time of the Merger.