

OPERATING EXPENSES BREAKDOWN

Q4 2023 Financial Period

Summit Digital Solutions, Inc.

Confidential & Proprietary

Effective Date: December 31, 2023

Document Reference: SDS-OPEX-Q4-2023-001

Classification: Confidential - For Due Diligence Purposes Only

1. OVERVIEW AND SCOPE

1. This Operating Expenses Breakdown ("Report") has been prepared by the Finance Department of Summit Digital Solutions, Inc. ("Company") for the quarter ending December 31, 2023.
2. All figures are reported in United States Dollars (USD) and have been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

2. OPERATING EXPENSE CATEGORIES

1. Personnel Expenses

- Base Salaries and Wages: \$8,245,000
- Employee Benefits: \$1,649,000
- Payroll Taxes: \$659,600
- Stock-Based Compensation: \$412,500
- Training and Development: \$165,000

Subtotal Personnel: \$11,131,100

2. Technology Infrastructure

- Cloud Services (AWS/Azure): \$945,000
- Software Licenses: \$685,000
- IT Support and Maintenance: \$325,000
- Cybersecurity Services: \$275,000
- Development Tools: \$195,000

Subtotal Technology: \$2,425,000

3. Facilities and Operations

- Office Lease (4 locations): \$865,000
- Utilities: \$98,000
- Equipment Leasing: \$165,000
- Office Supplies: \$45,000
- Insurance: \$225,000

Subtotal Facilities: \$1,398,000

4. Sales and Marketing

- Digital Marketing: \$385,000
- Trade Shows/Events: \$245,000
- Sales Commissions: \$725,000
- Marketing Materials: \$85,000
- Client Entertainment: \$95,000

Subtotal Sales/Marketing: \$1,535,000

5. Professional Services

- Legal Services: \$225,000
- Accounting/Audit: \$165,000
- Management Consulting: \$195,000
- Recruitment: \$145,000

Subtotal Professional: \$730,000

3. QUARTERLY ANALYSIS

1. Total Operating Expenses: \$17,219,100

2. Key Metrics

- Operating Expenses as % of Revenue: 78.5%
- Quarter-over-Quarter Change: +4.2%
- Year-over-Year Change: +12.8%

3. Notable Variances

- Personnel costs increased 6.5% due to strategic hiring in AI/ML division

- Technology infrastructure costs rose 8.2% from expanded cloud computing needs
- Marketing expenses decreased 3.1% through digital optimization initiatives

4. EXPENSE ALLOCATION BY BUSINESS UNIT

1. Digital Transformation Services: 45% (\$7,748,595)
2. Enterprise Solutions: 30% (\$5,165,730)
3. IoT Integration: 15% (\$2,582,865)
4. Corporate Operations: 10% (\$1,721,910)

5. CERTIFICATIONS AND DISCLAIMERS

1. This Report has been prepared under the supervision of Sarah Blackwell, Chief Operating Officer, and reviewed by the Company's independent auditors.
2. All figures are preliminary and subject to final audit adjustments. This Report should be read in conjunction with the Company's complete financial statements and related notes.
3. Forward-Looking Statements: This Report may contain forward-looking statements that involve risks and uncertainties. Actual results may differ materially from projected figures.

6. CONFIDENTIALITY NOTICE

1. This document contains confidential and proprietary information of Summit Digital Solutions, Inc. Any unauthorized reproduction, distribution, or disclosure is strictly prohibited.
2. Recipients are required to maintain the confidentiality of this information pursuant to applicable non-disclosure agreements and securities regulations.

7. APPROVAL AND VERIFICATION

CERTIFIED AND APPROVED:

/s/ Sarah Blackwell

Sarah Blackwell

Chief Operating Officer

Summit Digital Solutions, Inc.

Date: January 15, 2024

/s/ Michael Chang

Michael Chang

Chief Technology Officer

Summit Digital Solutions, Inc.

Date: January 15, 2024

[COMPANY SEAL]