

CLIENT PAYMENT TERMS ANALYSIS 2023

Summit Digital Solutions, Inc.

Prepared: December 15, 2023

Reference: FIN-2023-CPT-001

1. EXECUTIVE SUMMARY

This analysis examines Summit Digital Solutions, Inc.'s ("Company") current client payment terms, associated risks, and recommendations for optimization. The assessment covers all active enterprise contracts as of December 1, 2023, representing approximately \$87.5M in annual revenue.

2. CURRENT PAYMENT TERM STRUCTURE

2.1 Standard Payment Terms

- Net-30: 45% of contracts
- Net-45: 35% of contracts
- Net-60: 15% of contracts
- Custom Terms: 5% of contracts

2.2 Payment Milestones

The Company typically structures enterprise digital transformation engagements with the following payment schedule:

- 25% upon contract execution
- 25% upon completion of initial assessment and roadmap
- 30% upon deployment of core systems
- 20% upon final acceptance

3. INDUSTRY BENCHMARKING

3.1 Competitive Analysis

Based on market research and competitive intelligence, the Company's payment terms align with industry standards for enterprise digital transformation services:

- Industry Average: Net-45
- Top Quartile: Net-30

- Bottom Quartile: Net-60+

3.2 Risk Assessment

Current payment terms expose the Company to the following risks:

- Working capital constraints on large-scale implementations
- Extended DSO (Days Sales Outstanding) impact on cash flow
- Currency fluctuation exposure on international contracts
- Resource allocation challenges for multi-phase projects

4. CLIENT SEGMENTATION ANALYSIS

4.1 Enterprise Clients (\$5M+ Annual Contract Value)

- Current Terms: Net-45 standard
- Average DSO: 52 days
- Payment Compliance: 92%
- Recommended Action: Maintain current terms

4.2 Mid-Market Clients (\$1M-\$5M Annual Contract Value)

- Current Terms: Net-30 standard
- Average DSO: 38 days
- Payment Compliance: 95%
- Recommended Action: Consider selective extension to Net-45

4.3 Growth Clients (<\$1M Annual Contract Value)

- Current Terms: Net-30 required
- Average DSO: 33 days
- Payment Compliance: 88%
- Recommended Action: Strengthen enforcement mechanisms

5. RECOMMENDATIONS

5.1 Term Optimization

Implement tiered payment terms based on client size and history

Standardize early payment incentives (2% discount for payment within 10 days)

Introduce late payment penalties (1.5% monthly on overdue balances)

Require credit checks for new clients with contracts exceeding \$2M

5.2 Process Improvements

Automate invoice generation and delivery

Implement real-time payment tracking dashboard

Establish dedicated collections team for accounts >60 days

Enhance payment milestone documentation requirements

6. IMPLEMENTATION TIMELINE

6.1 Phase I (Q1 2024)

- Update standard contract templates
- Implement automated invoicing system
- Train account management team on new terms

6.2 Phase II (Q2 2024)

- Roll out new payment terms to new clients
- Begin client communication regarding changes
- Deploy payment tracking dashboard

6.3 Phase III (Q3 2024)

- Convert existing clients to new terms upon renewal
- Review and adjust based on initial results
- Complete full implementation

7. LEGAL CONSIDERATIONS

7.1 Contract Modifications

All payment term modifications must be implemented through proper contract amendments or new agreements, subject to legal review and approval.

7.2 Compliance Requirements

Payment terms must comply with applicable state and federal laws, including prompt payment regulations and fair business practice requirements.

8. DISCLAIMERS

This analysis is confidential and proprietary to Summit Digital Solutions, Inc. The information contained herein is based on data available as of December 1, 2023, and should not be relied upon without independent verification. This document does not constitute legal advice and should be reviewed by appropriate counsel before implementation.

9. APPROVAL AND AUTHORIZATION

REVIEWED AND APPROVED:

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Sarah Blackwell

Chief Operating Officer

Date: _

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James Henderson

Chief Digital Officer

Date: _

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Legal Department Review

Date: _