

INTERCOMPANY TRANSACTION REPORT

Q4 2023 - Summit Digital Solutions, Inc.

CONFIDENTIAL & PROPRIETARY

Prepared: January 9, 2024

Reference: ICT-2023-Q4-001

1. EXECUTIVE SUMMARY

This Intercompany Transaction Report documents all material intercompany transactions between Summit Digital Solutions, Inc. ("Parent Company") and its subsidiaries for the period of October 1, 2023, through December 31, 2023. All transactions have been reviewed for compliance with transfer pricing regulations and corporate governance requirements.

2. SCOPE AND METHODOLOGY

1. This report covers transactions between:

- Summit Digital Solutions, Inc. (Parent)
- Peak Performance Technologies LLC (Wholly-owned subsidiary)
- Summit Digital Solutions EMEA GmbH (Wholly-owned subsidiary)
- SDS Innovation Labs, Inc. (Wholly-owned subsidiary)

2. Transaction Categories Reviewed:

- Management service fees
- Technology licensing
- Cost sharing arrangements
- Intercompany loans
- Asset transfers
- Revenue sharing agreements

3. MATERIAL TRANSACTIONS SUMMARY

1. Management Service Agreements

- Parent to Peak Performance Technologies LLC: \$2,875,000

- Parent to Summit Digital Solutions EMEA: 1,950,000
- Parent to SDS Innovation Labs: \$1,225,000

2. Technology Licensing

- Peak Performance Platform(TM) licensing to EMEA: 3,500,000
- IoT Integration Framework licensing to Innovation Labs: \$2,750,000

3. Cost Sharing Arrangements

- R&D cost allocation (Innovation Labs): \$4,125,000
- Global IT infrastructure (all subsidiaries): \$3,875,000
- Shared services center allocation: \$2,250,000

4. TRANSFER PRICING ANALYSIS

1. Methodology Applied

- Comparable Uncontrolled Price (CUP) method for technology licensing
- Cost Plus Method for management services
- Profit Split Method for R&D cost sharing

2. Compliance Assessment

All material transactions have been evaluated against established transfer pricing policies and are deemed compliant with applicable regulations in relevant jurisdictions.

5. INTERCOMPANY LOAN POSITIONS

1. Outstanding Balances

- Parent to EMEA: 5,000,000 (3.75% interest rate)
- Parent to Innovation Labs: \$3,500,000 (4.25% interest rate)

2. New Loans Issued Q4 2023

- Parent to Peak Performance Technologies: \$2,500,000 (4.00% interest rate)

Term: 36 months

Purpose: Technology infrastructure expansion

6. REVENUE SHARING ARRANGEMENTS

1. Peak Performance Platform(TM) Revenue

- Parent: 65%
- Peak Performance Technologies: 25%
- Innovation Labs: 10%

2. Enterprise Solutions Revenue

- Parent: 70%
- Regional subsidiary of implementation: 30%

7. ASSET TRANSFERS

1. Material Transfers Executed

- IP transfer: Machine Learning Algorithm Suite (Innovation Labs to Parent)

Value: \$3,750,000

Date: December 15, 2023

2. Planned Transfers Q1 2024

- IoT Sensor Technology Patents (Parent to EMEA)

Estimated Value: 2,800,000

8. RISK ASSESSMENT

1. Transfer Pricing Risks

- Documentation requirements maintained current
- Arm's length principle validated for all material transactions
- Regular monitoring of international tax developments

2. Operational Risks

- Currency exposure managed through hedging
- Intercompany settlement terms standardized
- Credit risk monitoring framework in place

9. COMPLIANCE CERTIFICATIONS

1. The undersigned certify that:

- All transactions are properly documented
- Appropriate approvals obtained
- Transfer pricing studies current
- Tax compliance requirements met

10. RECOMMENDATIONS

1. Short-term Actions

- Review management service agreement pricing for Q1 2024
- Update transfer pricing documentation for new technology transfers
- Implement enhanced intercompany settlement tracking

2. Long-term Planning

- Evaluate consolidated billing structure
- Review cost allocation methodologies
- Assess impact of digital service taxes

APPROVALS AND SIGNATURES

REVIEWED AND APPROVED BY:

Sarah Blackwell

Chief Operating Officer

Date: January 9, 2024

James Henderson

Chief Digital Officer

Date: January 9, 2024

Marcus Chen

Global Controller

Date: January 9, 2024

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