

REVENUE RECOGNITION SCHEDULE - LONG-TERM CONTRACTS

Summit Digital Solutions, Inc.

Effective Date: January 1, 2024

1. PURPOSE AND SCOPE

1. This Revenue Recognition Schedule ("Schedule") establishes the policies and procedures for recognizing revenue from long-term contracts entered into by Summit Digital Solutions, Inc.

("Company") in accordance with ASC 606 - Revenue from Contracts with Customers.

2. This Schedule applies to all contracts with duration exceeding twelve (12) months, including but not limited to:

- a) Enterprise digital transformation implementations
- b) IoT systems integration projects
- c) AI/ML platform deployments
- d) Peak Performance Platform implementations
- e) Managed services agreements

2. DEFINITIONS

1. "Performance Obligation" means a promise in a contract to transfer a distinct good or service to the customer.

2. "Transaction Price" means the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

3. "Contract Modification" means a change in the scope or price (or both) of a contract that is approved by the parties to the contract.

3. REVENUE RECOGNITION CRITERIA

1. The Company shall recognize revenue when (or as) it satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

2. For each performance obligation, the Company shall determine whether it satisfies the performance obligation:

- a) Over time; or
- b) At a point in time

3. Performance obligations are satisfied over time if one of the following criteria is met:

- a) The customer simultaneously receives and consumes the benefits
- b) The Company's performance creates or enhances an asset that the customer controls
- c) The Company's performance does not create an asset with alternative use, and the Company has an enforceable right to payment for performance completed to date

4. MEASUREMENT OF PROGRESS

1. For performance obligations satisfied over time, the Company shall measure progress using:

1.1. Input Methods:

- Labor hours expended
- Resources consumed
- Development milestones achieved
- Costs incurred

1.2. Output Methods:

- Deliverables completed
- Technical milestones achieved
- Time elapsed

5. CONTRACT MODIFICATIONS

1. The Company shall account for contract modifications as follows:

1.1. As a separate contract when:

- a) The scope increases due to additional distinct goods/services
- b) The price increase reflects standalone selling prices

1.2. As a termination of the existing contract and creation of a new contract when remaining goods/services are distinct

1.3. As part of the original contract when remaining goods/services are not distinct

6. SPECIFIC CONTRACT TYPES

1. Peak Performance Platform Implementations

1.1. Revenue Recognition Method:

- Percentage of completion based on development milestones
- Monthly progress assessments
- Customer acceptance criteria

2. IoT Systems Integration

2.1. Revenue Recognition Method:

- Hardware component recognition upon installation
- Software integration based on completion percentage
- Ongoing maintenance as services are rendered

3. AI/ML Implementation Projects

3.1. Revenue Recognition Method:

- Development phase recognition based on completed sprints
- Training phase recognition based on model performance metrics
- Deployment phase recognition upon system acceptance

7. COST RECOGNITION

1. Contract costs shall be recognized as expenses when incurred unless they:

- a) Create or enhance resources used to satisfy performance obligations in the future
- b) Are expected to be recovered

2. Capitalizable Costs Include:

- Direct labor
- Hardware and software
- Third-party services
- Project-specific travel
- Custom development costs

8. DISCLOSURES AND REPORTING

1. The Company shall maintain detailed records of:

- Contract values and modifications
- Performance obligation satisfaction status
- Revenue recognized to date
- Remaining performance obligations
- Contract assets and liabilities

2. Monthly Revenue Recognition Reports shall include:

- Contract summary
- Revenue recognized in current period
- Cumulative revenue recognized
- Percentage of completion
- Projected completion dates

9. REVIEW AND APPROVAL

1. Revenue recognition determinations shall be reviewed and approved by:

- Project Manager
- Finance Director
- Controller
- Chief Financial Officer (for contracts exceeding \$5,000,000)

10. AMENDMENTS AND UPDATES

1. This Schedule shall be reviewed annually and updated as necessary to reflect:

- Changes in accounting standards
- New contract types
- Modified business practices
- Regulatory requirements

AUTHORIZATION

This Revenue Recognition Schedule has been approved and adopted by the Board of Directors of

Summit Digital Solutions, Inc.

Effective Date: January 1, 2024

By:

Alexandra Reeves, Ph.D.

Chief Executive Officer

By:

[Name]

Chief Financial Officer

Date: