

YEAR-END INVENTORY VALUATION REPORT

Summit Digital Solutions, Inc.

For the Period Ending December 31, 2023

Prepared January 9, 2024

1. EXECUTIVE SUMMARY

This Year-End Inventory Valuation Report provides a comprehensive assessment of Summit Digital Solutions, Inc.'s ("Company") inventory of technology assets, licenses, and related materials as of December 31, 2023. The valuation has been conducted in accordance with GAAP principles and the Company's established inventory management protocols.

2. SCOPE OF VALUATION

1 The inventory valuation encompasses:

- Hardware components and IoT sensors
- Software licenses and subscriptions
- Development environments and testing platforms
- Cloud infrastructure credits
- Technical documentation and training materials
- Implementation frameworks and methodologies

2 Valuation methodology employs:

- First-in-first-out (FIFO) accounting principles
- Fair market value assessments
- Historical cost basis
- Current replacement cost analysis
- Obsolescence considerations

3. INVENTORY CATEGORIES AND VALUATIONS

1 Hardware Components

- IoT Sensor Units: \$1,247,500
- Edge Computing Devices: \$875,000

- Network Infrastructure Equipment: \$392,000
- Testing Hardware: \$156,000

Total Hardware: \$2,670,500

2 Software Assets

- Enterprise Licenses: \$3,450,000
- Development Tools: \$892,000
- Analytics Platforms: \$1,275,000
- Security Solutions: \$645,000

Total Software: \$6,262,000

3 Cloud Infrastructure

- AWS Credits: \$785,000
- Azure Resources: \$625,000
- Private Cloud Infrastructure: \$1,150,000

Total Cloud: \$2,560,000

4 Intellectual Property

- Peak Performance Platform Components: \$4,250,000
- Implementation Frameworks: \$1,875,000
- Training Materials: \$425,000

Total IP: \$6,550,000

4. VALUATION METHODOLOGIES

1 Hardware Components

- Valued at lower of cost or market
- Depreciation calculated using straight-line method
- Useful life assumptions: 3-5 years
- Obsolescence assessed quarterly

2 Software Assets

- Subscription-based licenses valued at remaining term
- Perpetual licenses amortized over expected useful life

- Custom development costs capitalized per ASC 350-40

3 Cloud Infrastructure

- Credits valued at purchase price less utilized portion
- Reserved instances valued at remaining commitment term
- Prepaid services at prorated remaining value

4 Intellectual Property

- Valued using cost approach methodology
- Development costs capitalized per ASC 350-40
- Annual impairment testing conducted

5. INVENTORY MANAGEMENT CONTROLS

1 Physical Controls

- Biometric access to hardware storage facilities
- Real-time inventory tracking system
- Quarterly physical inventory counts
- Segregation of duties in inventory management

2 Digital Assets Control

- License management system implementation
- Cloud resource monitoring and optimization
- Access controls and usage tracking
- Regular compliance audits

6. RISK FACTORS AND CONSIDERATIONS

1 Technology Obsolescence

- Rapid advancement in IoT technology
- Evolution of cloud services pricing
- Changes in software licensing models
- Market demand shifts

2 Regulatory Compliance

- Software license compliance
- Data privacy regulations
- Export control requirements
- Industry-specific standards

7. CERTIFICATIONS AND REPRESENTATIONS

The undersigned hereby certifies that:

1 This inventory valuation has been conducted in accordance with generally accepted accounting principles (GAAP).

2 All material facts known to the Company regarding inventory value have been disclosed.

3 The methodologies employed represent standard industry practices and reasonable assumptions.

4 No material changes to inventory composition or value have occurred between the valuation date and report date.

8. LIMITATIONS AND DISCLAIMERS

1 This report is prepared solely for internal use and M&A due diligence purposes.

2 Values presented are as of December 31, 2023, and may not reflect current market conditions.

3 Technology asset values are inherently subject to rapid change and obsolescence.

4 This report should not be relied upon for purposes other than those intended.

9. APPROVAL AND EXECUTION

PREPARED BY:

Financial Planning & Analysis Department

Summit Digital Solutions, Inc.

REVIEWED AND APPROVED BY:

Sarah Blackwell

Chief Operating Officer

Date: January 9, 2024

Michael Chang

Chief Technology Officer

Date: January 9, 2024

David Wilson

Director of Finance

Date: January 9, 2024

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