

CASH RESERVE ANALYSIS - Q4 2023

Summit Digital Solutions, Inc.

CONFIDENTIAL & PRIVILEGED

Prepared by: Financial Planning & Analysis Department

Date: December 31, 2023

1. EXECUTIVE SUMMARY

This Cash Reserve Analysis evaluates Summit Digital Solutions, Inc.'s ("Company") cash position and reserve requirements for Q4 2023 and projected through Q2 2024. This analysis has been prepared in accordance with the Company's Cash Management Policy (CMP-2023-01) and Delaware corporate governance requirements.

2. CURRENT CASH POSITION

1. As of December 31, 2023, the Company maintains the following cash and cash equivalent positions:

- Operating Cash: \$12,475,000
- Strategic Reserve: \$8,250,000
- Restricted Cash: \$3,125,000
- Total Cash Position: \$23,850,000

2. Cash positions are maintained across approved financial institutions as follows:

- Silicon Valley Bank: 35%
- JPMorgan Chase: 40%
- Bank of America: 25%

3. RESERVE REQUIREMENTS

1. Minimum Operating Reserve

The Company shall maintain minimum operating reserves calculated as follows:

- 3 months of operating expenses: \$15,625,000
- Outstanding accounts payable: \$4,250,000

- Planned capital expenditures (Q1 2024): \$2,750,000
- Total Minimum Operating Reserve: \$22,625,000

2. Strategic Initiative Reserve

Dedicated reserves for strategic initiatives:

- Peak Performance Platform enhancement: \$3,500,000
- IoT infrastructure expansion: \$2,750,000
- AI/ML capability development: \$2,000,000
- Total Strategic Reserve: \$8,250,000

4. CASH FLOW ANALYSIS

1. Q4 2023 Cash Flow Summary

- Operating cash inflow: \$24,875,000
- Operating cash outflow: \$(21,250,000)
- Net operating cash flow: \$3,625,000
- Capital expenditures: \$(1,875,000)
- Net cash flow: \$1,750,000

2. Projected Cash Requirements (Q1-Q2 2024)

- Projected operating expenses: \$45,000,000
- Planned capital investments: \$5,750,000
- Strategic initiative funding: \$4,250,000
- Total projected requirements: \$55,000,000

5. RISK ASSESSMENT

1. Liquidity Risk Factors

- Customer payment cycle fluctuations
- Strategic initiative cost overruns
- Foreign exchange exposure on international contracts
- Seasonal revenue variations

2. Mitigation Strategies

- Maintenance of \$5M revolving credit facility
- Implementation of enhanced AR monitoring
- Currency hedging program for international operations
- Quarterly reserve requirement reviews

6. COMPLIANCE CERTIFICATION

1. The undersigned hereby certifies that:

- All cash reserves are maintained in accordance with Company policy
- Reserve levels meet minimum requirements per Board resolution BR-2023-12
- No known material risks to cash position exist beyond those disclosed
- All restricted cash requirements are satisfied

7. RECOMMENDATIONS

1. Based on current analysis, management recommends:

- Increase operating reserve by \$2.5M through Q2 2024
- Maintain current strategic reserve allocation
- Review hedging strategy for international expansion
- Implement enhanced cash flow forecasting tools

8. DISCLAIMERS

This analysis contains forward-looking statements and projections based on current information and reasonable assumptions. Actual results may differ materially. This document is confidential and proprietary to Summit Digital Solutions, Inc. and may not be reproduced or distributed without written authorization.

9. APPROVAL

REVIEWED AND APPROVED:

Sarah Blackwell

Chief Operating Officer

Date: December 31, 2023

James Henderson

Chief Digital Officer

Date: December 31, 2023

Marcus Chen

Treasurer

Date: December 31, 2023

10. DISTRIBUTION

INTERNAL DISTRIBUTION ONLY

- Board of Directors
- Executive Committee
- Treasury Department
- Financial Planning & Analysis
- External Auditors (as required)