

INTERCOMPANY TRANSACTIONS REPORT

Summit Digital Solutions, Inc.

For the Period Ending December 31, 2023

Prepared: January 9, 2024

1. EXECUTIVE SUMMARY

This Intercompany Transactions Report provides a comprehensive analysis of all material intercompany transactions, transfer pricing arrangements, and related party dealings involving Summit Digital Solutions, Inc. ("Company") and its subsidiaries for the fiscal year ending December 31, 2023. This report has been prepared in accordance with ASC 850 (Related Party Disclosures) and applicable transfer pricing regulations.

2. ORGANIZATIONAL STRUCTURE

1 Parent Company

- Summit Digital Solutions, Inc. (Delaware C-Corporation)
- EIN: 81-XXXXXXX
- Principal Place of Business: 100 Innovation Drive, Boston, MA 02110

2 Wholly-Owned Subsidiaries

- Summit Digital Solutions UK Ltd. (United Kingdom)
- Summit Digital Solutions Canada ULC (Canada)
- Peak Performance Technologies GmbH (Germany)
- Summit Digital Asia-Pacific Pte. Ltd. (Singapore)

3. MATERIAL INTERCOMPANY TRANSACTIONS

1 Technology Licensing Arrangements

- Peak Performance Platform(TM) licensing fees from subsidiaries to parent
- Annual licensing fees based on 5% of subsidiary gross revenue
- Total FY2023 licensing revenue: \$4,275,000

2 Management Services

- Corporate overhead allocation to subsidiaries

- Services include executive oversight, financial management, HR support
- Total FY2023 management fees: \$3,850,000

3 Research & Development Cost Sharing

- Global R&D activities coordinated through Boston headquarters
- Cost allocation based on subsidiary revenue contribution
- Total FY2023 R&D cost sharing: \$12,450,000

4. TRANSFER PRICING METHODOLOGY

1 General Principles

- Arm's length standard applied to all intercompany transactions
- Annual transfer pricing studies conducted by Ernst & Young LLP
- Documentation maintained in accordance with IRC Section 482

2 Specific Methodologies

- Comparable Uncontrolled Price Method (CUP) for technology licensing
- Cost Plus Method for management services (15% markup)
- Residual Profit Split Method for R&D cost sharing

5. FINANCIAL IMPACT ANALYSIS

1 Revenue Impact

- Intercompany revenues: \$8,125,000 (9.3% of consolidated revenue)
- Net elimination impact on consolidated statements: (\$8,125,000)

2 Cost Allocations

- Total intercompany costs: \$16,300,000
- Primary components:
- R&D allocation: \$12,450,000
- Corporate overhead: \$3,850,000

3 Net Profit Impact

- Pre-elimination operating margin: 24.5%
- Post-elimination operating margin: 22.8%

- Variance explanation documented in Section 6

6. COMPLIANCE AND DOCUMENTATION

1 Internal Controls

- Quarterly intercompany reconciliation process
- Automated transfer pricing calculations via SAP
- Monthly review by Corporate Controller

2 Documentation Requirements

- Transfer pricing documentation updated annually
- Country-by-country reporting filed where required
- Local file and master file maintenance current

3 Tax Compliance

- All transactions reported on Form 5471 where applicable
- VAT/GST compliance maintained for cross-border services
- Annual transfer pricing certifications obtained

7. RISK ASSESSMENT

1 Transfer Pricing Risks

- Current risk level: Low
- Regular benchmark studies conducted
- Documentation meets or exceeds requirements in all jurisdictions

2 Foreign Exchange Risk

- Natural hedge through balanced intercompany positions
- Quarterly FX impact analysis performed
- Net exposure: \$750,000 (manageable level)

8. GOVERNANCE AND OVERSIGHT

1 Review Process

- Quarterly review by Corporate Controller

- Semi-annual review by Audit Committee
- Annual independent audit review

2 Policy Updates

- Transfer pricing policy updated March 2023
- Intercompany agreement templates standardized
- New monitoring procedures implemented Q4 2023

9. CERTIFICATION

The undersigned hereby certifies that this report accurately reflects all material intercompany transactions for the period indicated and complies with applicable accounting standards and regulations.

Dated: January 9, 2024

/s/ Sarah Blackwell

Sarah Blackwell

Chief Operating Officer

Summit Digital Solutions, Inc.

/s/ David Thompson

David Thompson

Corporate Controller

Summit Digital Solutions, Inc.

DISCLAIMER

This report is confidential and proprietary to Summit Digital Solutions, Inc. It has been prepared for internal use and in connection with potential transaction due diligence. While the information contained herein is believed to be accurate, no representations or warranties are made as to its completeness or accuracy. This report should be reviewed in conjunction with other due diligence materials and subject to independent verification.