

REVENUE RECOGNITION SCHEDULE - ENTERPRISE CLIENTS

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 Enterprise Client engagements of Summit Digital Solutions, Inc.

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

2. This Schedule applies to all Enterprise Client contracts, defined as clients with annual contract values exceeding \$500,000 or multi-year engagements with total contract values exceeding \$1,000,000.

2. DEFINITIONS

1. "Enterprise Client" means any customer meeting the criteria specified in Section 1.2.

2. "Performance Obligation" means a distinct promised service or deliverable within an Enterprise Client contract.

3. "Peak Performance Platform" means the Company's proprietary digital transformation platform.

4. "Implementation Services" means professional services related to digital transformation, AI/ML implementation, IoT integration, and process automation.

3. REVENUE RECOGNITION PRINCIPLES

1. Five-Step Recognition Process

- a) Identify the contract with the Enterprise Client
- b) Identify performance obligations within the contract
- c) Determine the transaction price
- d) Allocate the transaction price to performance obligations
- e) Recognize revenue when performance obligations are satisfied

2. Timing of Recognition

- a) Platform License Fees: Recognized ratably over the subscription term

- b) Implementation Services: Recognized using percentage of completion method
- c) Professional Services: Recognized as services are delivered
- d) Maintenance and Support: Recognized ratably over the service period

4. PERFORMANCE OBLIGATION ALLOCATION

1. Standard Allocation Percentages

- Peak Performance Platform License: 40-50% of contract value
- Implementation Services: 30-35% of contract value
- Professional Services: 10-15% of contract value
- Maintenance and Support: 5-10% of contract value

2. Contract-Specific Adjustments

The above percentages may be adjusted based on:

- a) Scope of implementation services
- b) Complexity of client environment
- c) Custom development requirements
- d) Extended support arrangements

5. MILESTONE-BASED RECOGNITION

1. Implementation Milestones

- Project Initiation: 10% of implementation value
- Requirements Completion: 20% of implementation value
- System Configuration: 30% of implementation value
- User Acceptance Testing: 25% of implementation value
- Go-Live: 15% of implementation value

2. Documentation Requirements

Each milestone requires:

- a) Client acceptance documentation
- b) Completion certificate
- c) Invoice approval
- d) Technical validation report

6. SPECIAL CONSIDERATIONS

1. Multi-Year Contracts

- Annual escalators recognized on contract anniversary
- Renewal options valued separately
- Early termination provisions impact recognition timing

2. Change Orders

- Treated as contract modifications
- Evaluated for distinct performance obligations
- Priced using standalone selling prices

7. REPORTING AND COMPLIANCE

1. Monthly Recognition Schedule

- Revenue recognition worksheet
- Deferred revenue tracking
- Accounts receivable aging
- Client acceptance documentation

2. Quarterly Review Requirements

- Revenue recognition audit
- Performance obligation completion status
- Contract modification impact analysis
- Compliance certification

8. EXCEPTIONS AND APPROVALS

1. Any deviation from this Schedule requires written approval from:

- a) Chief Financial Officer
- b) Corporate Controller
- c) Revenue Recognition Committee

2. Documentation Requirements

All exceptions must include:

- Business justification
- Financial impact analysis
- Risk assessment
- Compliance review

9. AMENDMENTS AND UPDATES

1. This Schedule shall be reviewed annually by the Revenue Recognition Committee.
2. Updates require approval from the Board of Directors' Audit Committee.

AUTHORIZATION

APPROVED AND ADOPTED by the Board of Directors of Summit Digital Solutions, Inc.

Date: December 15, 2023

By: /s/ Sarah Blackwell

Sarah Blackwell

Chief Operating Officer

By: /s/ James Henderson

James Henderson

Chief Digital Officer

ATTEST:

/s/ Corporate Secretary

Corporate Secretary

Summit Digital Solutions, Inc.