

QUARTERLY FINANCIAL COMPLIANCE REPORT

Polar Dynamics Robotics, Inc.

Q4 2023 (October 1 - December 31, 2023)

Prepared: January 15, 2024

1. EXECUTIVE SUMMARY

This Quarterly Financial Compliance Report ("Report") has been prepared by the Office of the Chief Financial Officer of Polar Dynamics Robotics, Inc. ("Company") in accordance with Section 8.3 of the Company's Corporate Governance Guidelines and applicable SEC regulations. This Report covers the period from October 1, 2023, through December 31, 2023 ("Reporting Period").

2. COMPLIANCE CERTIFICATION

The undersigned Chief Financial Officer hereby certifies that:

1. All financial statements and reports filed during the Reporting Period comply with Generally Accepted Accounting Principles (GAAP);
2. Internal controls over financial reporting remain effective as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934; and
3. No material changes to internal control over financial reporting occurred during the Reporting Period.

3. FINANCIAL PERFORMANCE METRICS

1. Revenue Recognition

- Q4 2023 Revenue: \$9.2M
- YTD Revenue: \$32.5M
- Revenue Recognition Method: ASC 606 compliant
- Contract Backlog: \$15.7M

2. Cash Position

- Operating Cash: \$12.3M
- Restricted Cash: \$2.1M

- Available Credit Facilities: \$10.0M
- Burn Rate: \$850K/month

3. Key Financial Ratios

- Current Ratio: 2.8
- Quick Ratio: 2.3
- Debt-to-Equity: 0.35
- Gross Margin: 62%

4. REGULATORY COMPLIANCE

1. SEC Filings

- All required SEC filings submitted on schedule
- No amendments or corrections required
- Form 8-K filed on November 15, 2023 (Material Contract)

2. Tax Compliance

- Federal estimated tax payments current
- State tax obligations current in all operating jurisdictions
- R&D tax credit documentation maintained
- No pending IRS inquiries or audits

3. Industry-Specific Regulations

- UL 3300 certification maintained for all robotics products
- ISO 9001:2015 certification current
- ANSI/RIA R15.06-2012 compliance verified

5. RISK MANAGEMENT

1. Credit Risk

- No customer concentrations exceeding 15% of revenue
- Average DSO: 45 days
- Bad debt reserve: \$275K
- Credit insurance maintained for key accounts

2. Operational Risk

- Product liability insurance: \$10M coverage
- Cyber insurance: \$5M coverage
- D&O insurance: \$15M coverage
- Business interruption insurance: \$8M coverage

3. Foreign Exchange Risk

- Limited exposure (>90% USD transactions)
- Forward contracts in place for EUR purchases
- No material currency translation impact

6. MATERIAL CHANGES AND EVENTS

1. Capital Structure

- No changes to authorized or issued shares
- No new debt instruments issued
- Series C preferred stock terms unchanged
- Employee stock option pool: 12% fully diluted

2. Material Contracts

- New supply agreement with Arctic Storage Solutions, Inc.
- Extended credit facility with Silicon Valley Bank
- No defaults or material breaches reported

3. Legal Proceedings

- No material litigation pending
- Two minor product warranty claims resolved
- No regulatory enforcement actions

7. INTERNAL CONTROL ASSESSMENT

1. Control Environment

- Quarterly audit committee meeting held December 12, 2023
- Updated procurement approval matrix implemented

- Enhanced inventory control procedures adopted

2. Control Testing

- 85% of key controls tested
- No material weaknesses identified
- Three minor deficiencies remediated
- SOX compliance maintained

8. FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: market conditions, technological changes, regulatory requirements, and economic conditions.

9. CERTIFICATION

The undersigned certifies that the information contained in this Report is accurate and complete to the best of their knowledge and belief.

Dated: January 15, 2024

/s/ Katherine Wells

Katherine Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

10. APPENDICES

- A. Financial Statements (attached)
- B. Compliance Testing Results (attached)
- C. Risk Assessment Matrix (attached)
- D. Control Testing Summary (attached)

[END OF REPORT]