

# SOFTWARE LICENSE REVENUE RECOGNITION POLICY

## SOFTWARE LICENSE REVENUE RECOGNITION

*Effective Date: January 1, 2024*

*Document Version: 3.2*

*Last Updated: December 15, 2023*

*Approved By: Board of Directors, Polar Dynamics Robotics, Inc.*

### 1. PURPOSE AND SCOPE

1. This Software License Revenue Recognition Policy ("Policy") estab

2. This Policy applies to all software license arrangements, whether s

## **2. REVENUE RECOGNITION CRITERIA**

1. The Company recognizes software license revenue when all of the

- a) Persuasive evidence of an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The fee is fixed or determinable; and
- d) Collection is reasonably assured.

2. For multi-element arrangements involving hardware, software, and

## **3. SOFTWARE LICENSE TYPES AND RECOGNITIO**

## 1. Perpetual Licenses

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Revenue recognized upon delivery and acceptance

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Maintenance and support services deferred and recognized ratably

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Implementation services recognized as performed

## 2. Term-Based Licenses

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License fees recognized ratably over the subscription term

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Recognition begins on the later of:

-

The date the license term begins

- - 3 -

The date when the software is made available to the customer

### 3. Usage-Based Licenses

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Revenue recognized based on actual usage

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Minimum guaranteed amounts recognized ratably

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Excess usage recognized when reported

## **4. SPECIFIC RECOGNITION RULES FOR BLUECORP**

### 1. Standard Configuration

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Base license fee: 100% recognized upon installation and acceptance

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Environmental calibration services: Recognized as performed

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Annual maintenance: Recognized ratably over 12 months

## 2. Custom Implementation

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License fee: 80% upon delivery, 20% upon acceptance

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Customization services: Percentage of completion method

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Training services: As delivered

## 5. DEFERRED REVENUE TREATMENT

1. The Company defers revenue when:

-

Payment is received before revenue recognition criteria are met

-

Implementation services have not been completed

-

Customer acceptance is pending

-

Future performance obligations exist

2. Deferred revenue is classified as:

-

Current: Expected to be recognized within 12 months

-

Non-current: Expected to be recognized beyond 12 months

## **6. DOCUMENTATION REQUIREMENTS**

### **1. Required Documentation**

-

Executed license agreement

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Delivery confirmation

-

Customer acceptance certificate

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Payment terms and history

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Service completion records

### **2. Revenue Recognition Checklist**

- - 7 -

Completed for each transaction exceeding \$100,000

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Reviewed by Finance Department

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Approved by Revenue Recognition Committee

## **7. MODIFICATIONS AND UPGRADES**

### **1. Software Updates**

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Minor updates included in maintenance fees

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Major upgrades treated as new arrangements

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Version upgrades priced separately

## 2. Contract Modifications

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Evaluated for material changes

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Additional functionality priced at stand-alone selling price

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Contract extensions treated as new arrangements

## **8. AUDIT AND COMPLIANCE**

### 1. Internal Review

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Quarterly review of revenue recognition practices

- - 9 -

Annual audit of license arrangements

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Compliance verification with ASC 606

## 2. Documentation Retention

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All revenue recognition documentation maintained for 7 years

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Electronic copies stored in secure repository

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Quarterly backup of all revenue records

## **9. POLICY ADMINISTRATION**

1. This Policy is administered by the Chief Financial Officer and reviewed annually.
2. Exceptions to this Policy must be approved in writing by both the CFO and the Board of Directors.

## **10. EFFECTIVE DATE AND AMENDMENTS**

1. This Policy is effective as of January 1, 2024.
2. Amendments must be approved by the Board of Directors.

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APPROVED BY:

Victoria Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date: December 15, 2023

Elena Frost, Ph.D.

Chief Executive Officer

Polar Dynamics Robotics, Inc.

Date: December 15, 2023

