ROBOT PRODUCTION COST ALLOCATION MODEL

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Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

Document Reference: PDR-FIN-2024-001

1. PURPOSE AND SCOPE

1. This Robot Production Cost Allocation Model (the "Model") establis

2. This Model applies to all AMR product lines, including but not limite

2. DEFINITIONS

1. "Direct Production Costs" shall mean costs directly attributable to A

a) Raw materials and components

b) Direct labor costs

c) Assembly line operational expenses

d) Quality control and testing costs

e) BlueCore(TM) system integration costs

2. "Indirect Production Costs" shall mean overhead and support costs

a) Facility overhead

b) Production management salaries

c) Equipment depreciation

d) Research and development allocation

e) Quality assurance systems

3. COST ALLOCATION METHODOLOGY

1. Direct Cost Allocation

1.1. Material costs shall be allocated based on actual consumption tra

1.2. Direct labor shall be allocated using standard hours per unit, adju

1.3. BlueCore(TM) integration costs shall be allocated at actual cost p

2. Indirect Cost Allocation

2.1. Facility overhead shall be allocated based on square footage utili

2.2. R&D costs shall be allocated using a three-tier system:

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Tier 1 (New Products): 45% allocation

Tier 2 (Current Generation): 35% allocation

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Tier 3 (Legacy Products): 20% allocation

4. PRODUCTION COST POOLS

1. Primary Cost Pools

1.1. Cold-resistant chassis fabrication

1.2. Navigation system assembly

1.3. Power system integration

1.4. Environmental hardening

1.5. Software implementation

2. Support Cost Pools

2.1. Engineering support

2.2. Quality assurance

2.3. Production planning

2.4. Inventory management

5. ALLOCATION RATES AND CALCULATIONS

1. Standard Allocation Rates

1.1. Machine hour rate: $175.00

1.2. Direct labor hour rate: $85.00

1.3. Engineering support rate: $150.00

1.4. Quality assurance rate: $95.00

2. Burden Rates

2.1. Manufacturing overhead: 185% of direct labor

2.2. Engineering overhead: 165% of direct engineering

2.3. Administrative overhead: 12% of total direct costs

6. REPORTING AND RECONCILIATION

1. Monthly cost allocation reports shall be generated by the 10th busi

2. Quarterly reconciliation of actual versus standard costs shall be pe

3. Variance analysis shall be conducted monthly with adjustment rec

7. REVIEW AND ADJUSTMENT

1. This Model shall be reviewed annually by the Finance Committee.

2. Adjustments to allocation rates may be made quarterly based on:

2.1. Significant changes in production volume

2.2. Introduction of new product lines

2.3. Material changes in cost structure

2.4. Technological improvements affecting production efficiency

8. GOVERNANCE AND COMPLIANCE

1. The CFO shall have primary oversight responsibility for this Model.

2. All modifications must be approved by the Finance Committee and

3. This Model shall comply with GAAP standards and internal cost ac

9. CONFIDENTIALITY

1. This Model contains confidential and proprietary information of the

APPROVAL AND EXECUTION

IN WITNESS WHEREOF, this Robot Production Cost Allocation Mode
approved and adopted by the undersigned authorized representatives
Company.

POLAR DYNAMICS ROBOTICS, INC.

By: _

Victoria Wells

Chief Financial Officer

Date: January 1, 2024

By: _

Sarah Nordstrom

Chief Operating Officer

Date: January 1, 2024