

PAYROLL COST ANALYSIS

CONFIDENTIAL AND PRIVILEGED

Prepared for: Polar Dynamics Robotics, Inc.

Date: January 11, 2024

Reference: PDR-PAY-2024-Q1

1. EXECUTIVE SUMMARY

This Payroll Cost Analysis document provides a comprehensive review of personnel-related expenses for Polar Dynamics Robotics, Inc. ("Company") for fiscal year 2023 and projections for 2024. This analysis has been prepared in accordance with GAAP standards and includes all compensation-related costs across all employee classifications.

2. WORKFORCE COMPOSITION

1. **Employee Classification Breakdown**

- Full-time employees (FTE): 165
- Part-time employees: 12
- Contract workers: 10
- Total headcount: 187

2. **Department Distribution**

- Engineering & R&D: 89 employees
- Manufacturing Operations: 45 employees
- Sales & Marketing: 22 employees
- Administrative & Support: 19 employees
- Executive Leadership: 12 employees

3. COMPENSATION STRUCTURE

1. **Base Salary Ranges by Department**

- Engineering & R&D: \$95,000 - \$185,000
- Manufacturing Operations: \$55,000 - \$125,000
- Sales & Marketing: \$75,000 - \$165,000

- Administrative & Support: \$45,000 - \$110,000
- Executive Leadership: \$175,000 - \$350,000

2. ****Variable Compensation****

- Annual performance bonuses: 5-25% of base salary
- Sales commission structure: 2-8% of qualified revenue
- Stock option pool: 12% of fully diluted shares
- RSU program: Limited to director level and above

4. BENEFIT COSTS

1. ****Healthcare Benefits****

- Medical insurance: \$1,250/month per employee (avg.)
- Dental insurance: \$85/month per employee (avg.)
- Vision insurance: \$25/month per employee (avg.)
- Company contribution rate: 80% of premium costs

2. ****Additional Benefits****

- 401(k) matching: Up to 4% of salary
- Life insurance: \$50,000 coverage per employee
- Disability insurance: Short-term and long-term coverage
- Annual wellness stipend: \$500 per employee

5. PAYROLL TAX OBLIGATIONS

1. ****Federal Tax Obligations****

- Social Security (6.2% up to wage base)
- Medicare (1.45% unlimited)
- Federal unemployment (FUTA)
- Additional Medicare tax for high earners

2. ****State Tax Obligations****

- Delaware State unemployment insurance
- Workers' compensation insurance

- State disability insurance where applicable

6. ANNUAL COST ANALYSIS

1. **Total Compensation Expenses (2023)**

- Base salaries: \$18,500,000
- Variable compensation: \$2,750,000
- Benefits cost: \$3,850,000
- Payroll taxes: \$1,650,000
- Total annual compensation cost: \$26,750,000

2. **Cost per Employee**

- Average cost per FTE: \$143,048
- Median cost per FTE: \$128,500
- Benefits cost per FTE: \$20,588

7. PROJECTED COSTS (2024)

1. **Growth Assumptions**

- Planned headcount increase: 15%
- Merit increase budget: 4%
- Market adjustment budget: 2%
- Benefits cost inflation: 6%

2. **Projected Total Costs**

- Projected base salaries: \$21,830,000
- Projected variable compensation: \$3,275,000
- Projected benefits cost: \$4,081,000
- Projected payroll taxes: \$1,950,000
- Total projected compensation cost: \$31,136,000

8. LEGAL DISCLAIMERS

This document contains confidential and proprietary information of Polar Dynamics Robotics, Inc. The financial projections contained herein are based on current market conditions and reasonable

assumptions but are not guarantees of future performance. All salary and compensation information is presented in aggregate to protect individual privacy and comply with applicable data protection regulations.

9. CERTIFICATION

The undersigned hereby certifies that this analysis has been prepared in accordance with generally accepted accounting principles and accurately reflects the Company's compensation structure and related costs as of the date of this document.

PREPARED BY:

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Katherine Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date: January 11, 2024