ROBOT WARRANTY RESERVE ANALYSIS

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Polar Dynamics Robotics, Inc.

Prepared as of December 31, 2023

For Internal Use and Due Diligence Review

1. EXECUTIVE SUMMARY

This Warranty Reserve Analysis (the "Analysis") documents the meth
assumptions, and calculations used to determine appropriate warrant
for Polar Dynamics Robotics, Inc.'s ("Company") autonomous mobile

lines, specifically focusing on the BlueCore(TM) platform and associat

cold-environment robotics systems.

2. WARRANTY TERMS AND COVERAGE

1 The Company provides the following standard warranty coverage:

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Hardware: 24 months from date of installation

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Software: 12 months from date of activation

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Battery Systems: 18 months or 3,000 operating hours, whichever occ

-

Cold-Environment Components: 36 months limited warranty on propri

2 Extended warranty options available:

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Premium Care Package: Additional 24 months

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Enterprise Support: Additional 36 months with 24/7 technical support

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Mission-Critical Coverage: Up to 60 months total coverage

3. HISTORICAL WARRANTY CLAIM ANALYSIS

1 Claim Frequency (2021-2023):

-

Standard Warranty Claims: 4.2% of units shipped

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Extended Warranty Claims: 2.8% of covered units

Average Time to Claim: 8.3 months post-installation

2 Primary Claim Categories:

- Navigation System Calibration: 31%
- Thermal Management Components: 27%
- Battery Performance Issues: 22%
- Mechanical Wear: 12%
- Software/Firmware: 8%

4. RESERVE CALCULATION METHODOLOGY

1 The Company employs a three-component model for warranty reser

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Reserve = Base Unit Cost  Expected Claim Rate  (Labor + Parts Fac

Where:

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Base Unit Cost = Average manufacturing cost per unit

-

Expected Claim Rate = Historical claim frequency adjusted for produc

-

Labor + Parts Factor = 1.8  for standard warranty, 2.2  for extended w

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2 Additional Reserve Factors:

-

Product Mix Adjustment: +15% for new product introductions

-

Geographic Service Coverage: +10% for remote locations

-

Environmental Operation Factor: +20% for extreme temperature envir

5. CURRENT RESERVE POSITIONS

1 Standard Warranty Reserves:

-

Q4 2023 Balance: $4,825,000

-

Projected 2024 Additions: $2,750,000

Estimated Usage: ($1,925,000)

-

Projected Year-End 2024: $5,650,000

2 Extended Warranty Reserves:

-

Q4 2023 Balance: $2,175,000

-

Projected 2024 Additions: $1,250,000

-

Estimated Usage: ($875,000)

-

Projected Year-End 2024: $2,550,000

6. RISK FACTORS AND ADJUSTMENTS

1 The following risk factors have been incorporated into reserve calcu

- New product introduction risk (BlueCore(TM) 2.0 platform)
- Supply chain component cost volatility
- Labor cost escalation in service regions
- Extended operation in sub-zero environments

2 Reserve Adequacy Testing:

- Quarterly actuarial review

Statistical confidence level: 95%

-

Stress testing under various claim scenarios

7. ACCOUNTING TREATMENT

1 Recognition of Warranty Reserves:

-

Initial recognition at time of sale

-

Quarterly review and adjustment

-

Compliance with ASC 460 and ASC 450

2 Revenue Recognition Impact:

- Separate performance obligation for extended warranties

- Deferred revenue recognition per ASC 606

8. CERTIFICATION

The undersigned officers hereby certify that this Analysis has been pr
accordance with Company policies and generally accepted accountin

DATED: December 31, 2023

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Victoria Wells

Chief Financial Officer

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Sarah Nordstrom

Chief Operating Officer

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## 9. DISCLAIMER

This Analysis contains forward-looking statements and projections ba
historical data and management assumptions. Actual warranty claims
differ materially from these estimates. This document is confidential a
proprietary to Polar Dynamics Robotics, Inc. and may not be reproduc
distributed without express written consent.
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