

TAX PLANNING STRATEGY 2024

POLAR DYNAMICS ROBOTICS, INC.

A Delaware Corporation

Effective Date: January 1, 2024

1. EXECUTIVE SUMMARY

This Tax Planning Strategy document outlines the comprehensive approach for optimizing the tax position of Polar Dynamics Robotics, Inc. ("Company") for fiscal year 2024, with consideration given to the Company's current growth stage and operational expansion in the industrial automation and robotics manufacturing sector.

2. SCOPE AND OBJECTIVES

1. This strategy addresses federal, state, and international tax planning for the Company's operations, including:

- Primary manufacturing facilities in Delaware
- R&D operations in Massachusetts
- Sales activities across multiple U.S. states
- International component sourcing and sales initiatives

2. Key objectives include:

- Maximizing available R&D tax credits for IceNav platform development
- Optimizing tax treatment of capital equipment investments
- Strategic timing of revenue recognition for multi-year contracts
- Efficient utilization of net operating losses (NOLs)

3. R&D TAX CREDIT OPTIMIZATION

1. Qualified Research Expenses (QRE):

- Documentation of engineering hours on cold-resistant actuator development
- Allocation of laboratory expenses for thermal management systems
- Tracking of prototype development costs for new AMR models
- Software development expenses for IceNav platform improvements

2. Documentation Requirements:

- Implementation of project-specific time tracking
- Maintenance of technical documentation repository
- Quarterly review of QRE qualification criteria
- Regular updates to R&D tax credit calculation models

4. CAPITAL INVESTMENT STRATEGY

1. Section 179 Expensing:

- Strategic timing of manufacturing equipment purchases
- Evaluation of qualified improvement property
- Analysis of bonus depreciation opportunities

2. Cost Segregation:

- Detailed analysis of new facility improvements
- Component-level assessment of manufacturing systems
- Identification of shorter-recovery-period assets

5. REVENUE RECOGNITION

1. Multi-Element Arrangements:

- Separate performance obligations for hardware and software
- Allocation of transaction price to distinct elements
- Treatment of post-contract support services
- Recognition timing for installation services

2. International Sales:

- Transfer pricing documentation requirements
- Intercompany transaction structuring
- Foreign tax credit optimization
- Treaty benefits analysis

6. STATE TAX PLANNING

1. Nexus Analysis:

- Review of economic nexus thresholds
- Physical presence evaluation
- Sales factor sourcing rules
- State-specific filing requirements

2. Tax Incentives:

- Manufacturing equipment exemptions
- Research and development credits
- Job creation incentives
- Investment tax credits

7. RISK MANAGEMENT

1. Documentation Requirements:

- Contemporaneous documentation protocols
- Transfer pricing studies
- State tax position documentation
- Support for uncertain tax positions

2. Compliance Calendar:

- Filing deadlines for all jurisdictions
- Estimated payment schedules
- Information return due dates
- Extension requirements

8. IMPLEMENTATION AND MONITORING

1. Responsible Parties:

- CFO oversight of strategy execution
- Tax department implementation responsibilities
- External advisor coordination
- Quarterly review procedures

2. Performance Metrics:

- Effective tax rate tracking
- Credit utilization monitoring
- Cash tax savings measurement
- Compliance cost analysis

9. DISCLAIMERS AND LIMITATIONS

This tax planning strategy is based on current tax laws and regulations as of January 1, 2024. Future changes in tax legislation, regulations, or administrative guidance may impact the effectiveness of these strategies. This document does not constitute tax advice, and specific transactions should be reviewed with qualified tax advisors before implementation.

10. APPROVAL AND ADOPTION

This Tax Planning Strategy has been reviewed and approved by the Board of Directors of Polar Dynamics Robotics, Inc. on December 15, 2023.

APPROVED BY:

Katherine Wells

Chief Financial Officer

Date: December 15, 2023

Dr. Elena Frost

Chief Executive Officer

Date: December 15, 2023

Chair, Audit Committee

Date: December 15, 2023