

CUSTOMER PAYMENT TERMS ANALYSIS

Polar Dynamics Robotics, Inc.

Prepared: January 11, 2024

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1. EXECUTIVE SUMMARY

This analysis examines the customer payment terms and policies currently in effect at Polar Dynamics Robotics, Inc. ("Company") as of Q4 2023. The assessment covers standard payment structures, special arrangements, and risk exposure across the Company's primary revenue streams.

2. STANDARD PAYMENT TERMS

2.1 Hardware Sales

- Net 30 payment terms for standard AMR unit sales
- 40% deposit required for orders exceeding \$500,000
- 2% discount offered for payment within 10 days
- Late payment penalty of 1.5% per month

2.2 Service Contracts

- Quarterly billing in advance for maintenance agreements
- Net 45 payment terms for service contracts
- Annual prepayment option with 5% discount
- Auto-renewal billing 30 days prior to term end

2.3 Software Licensing

- Monthly subscription billing for IceNav platform
- Payment due on the 1st of each service month
- Credit card or ACH payment required
- No net terms offered for software subscriptions

3. CUSTOMER SEGMENTATION ANALYSIS

3.1 Enterprise Accounts (>\$1M Annual Revenue)

- Customized payment terms available
- Credit limits up to \$2.5M
- Quarterly billing cycles permitted
- Master Service Agreement required

3.2 Mid-Market Accounts (\$250K-\$1M Annual Revenue)

- Standard Net 30 terms
- Credit limits up to \$500K
- Monthly billing cycles
- Personal guarantees required for credit above \$250K

3.3 Small Business Accounts (<\$250K Annual Revenue)

- Advance payment required
- Credit card on file mandatory
- No custom payment terms
- Security deposits for hardware purchases

4. RISK ASSESSMENT

4.1 Credit Exposure

- Total accounts receivable: \$8.2M
- Average days sales outstanding (DSO): 42 days
- Concentration risk: No single customer >15% of A/R
- Bad debt reserve: 2.5% of total receivables

4.2 Industry-Specific Considerations

- Seasonal fluctuations in cold storage sector
- Pharmaceutical customer payment reliability above average
- Food processing sector shows longer payment cycles
- Industrial customers demonstrate stable payment history

5. SPECIAL ARRANGEMENTS

5.1 Strategic Partnerships

- Extended payment terms (Net 60) for qualified partners
- Volume-based pricing adjustments
- Quarterly true-up mechanisms
- Revenue sharing payment structures

5.2 Pilot Programs

- Modified payment schedules for trial deployments
- Performance-based payment triggers
- Early termination provisions
- Risk-sharing arrangements

6. COLLECTION PROCEDURES

6.1 Standard Collection Protocol

Automated reminder at 15 days

Account manager contact at 30 days

Finance department escalation at 45 days

Legal notice at 60 days

Collections agency referral at 90 days

6.2 Dispute Resolution

- Dedicated resolution team
- 15-day investigation period
- Documented escalation pathway
- Third-party arbitration provisions

7. RECOMMENDATIONS

7.1 Proposed Changes

Implement automated credit monitoring

Reduce standard terms to Net 25

Increase security deposits for high-risk sectors

Enhance early payment discount program

7.2 Implementation Timeline

- Q1 2024: Policy updates and documentation
- Q2 2024: System modifications
- Q3 2024: Customer communication and transition
- Q4 2024: Full implementation

8. LEGAL CONSIDERATIONS

This analysis is confidential and proprietary to Polar Dynamics Robotics, Inc. The information contained herein is subject to change without notice and does not constitute a binding commitment. All payment terms are subject to credit approval and execution of appropriate documentation.

9. CERTIFICATION

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