

SERIES B PREFERRED STOCK FINANCING

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SUMMARY OF TERMS

POLAR DYNAMICS ROBOTICS, INC.

January 11, 2024

This non-binding Term Sheet summarizes the principal terms of the Series B Preferred Stock Financing of Polar Dynamics Robotics, Inc., a Delaware corporation (the "Company").

Offering Terms

Closing Date: Expected February 15, 2024

Amount of Financing: Up to \$45,000,000

Price Per Share: \$8.50 per share (the "Original Purchase Price"),

Investment Terms

****Type of Security****

Series B Preferred Stock (the "Series B Preferred")

****Investors****

Led by Arctic Ventures Partners, with participation from existing investors
Northern Light Capital and Frost Innovation Fund

****Use of Proceeds****

Working capital to expand manufacturing capacity, accelerate R&D in the BlueCore(TM) technology platform, and support international market

****Capitalization****

The Company's capital structure before and after the closing will be set forth on Exhibit A

Rights, Preferences, and Privileges

****Dividend Rights****

8% non-cumulative dividends payable when and if declared by the Board of Directors, prior and in preference to dividends declared on Common Stock

****Liquidation Preference****

In the event of liquidation, dissolution, or winding up of the Company, Series B Preferred will receive:

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First priority return of the Original Purchase Price plus declared but un-

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Thereafter, participate with Common Stock pro rata on an as-converte

****Conversion Rights****

a) The Series B Preferred shall be convertible at any time at the option of the holder into shares of Common Stock

b) Initial conversion ratio of 1:1, subject to standard anti-dilution adjustments

c) Automatic conversion upon:

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Qualified IPO (raising at least \$100M at a pre-money valuation of at le

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Written consent of holders of at least 66 % of Series B Preferred

****Anti-dilution Protection****

Broad-based weighted average anti-dilution protection for issuances below
Original Purchase Price

****Voting Rights****

a) The Series B Preferred will vote together with Common Stock on all matters as if converted into Common Stock on an as-converted basis

b) Approval of 66 % of Series B Preferred required for:

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Changes to certificate of incorporation adversely affecting Series B Preferred

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Creation of senior or pari passu security

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Increase in authorized shares of Series B Preferred

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Sale or merger of the Company

Board of Directors

****Size and Composition****

Seven-person Board of Directors:

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2 Series B Directors (appointed by lead investors)

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2 Series A Directors (existing)

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2 Common Directors (including CEO)

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1 Independent Director (mutually agreed)

****Board Observer Rights****

Major investors (>\$10M investment) entitled to Board observer rights

Additional Rights

****Information Rights****

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Quarterly and annual financial statements

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Annual operating plan and budget

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Inspection rights

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Standard information and observer rights for major investors

****Registration Rights****

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Demand registration rights after earlier of:

-

5 years from Closing

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180 days after IPO

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Two demand registrations

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Unlimited piggyback registration rights

-

S-3 registration rights when eligible

-

Company to bear registration expenses

****Right of First Refusal****

Pro rata right to participate in future financings, subject to customary exceptions

****Pre-emptive Rights****

Pro rata right to maintain ownership percentage in future rounds

Closing Conditions

****Due Diligence****

Satisfactory completion of legal and business due diligence

****Documentation****

Negotiation and execution of definitive agreements

****Board Approval****

Approval of the Company's Board of Directors

****Stockholder Approval****

Required amendments to Certificate of Incorporation

Exclusivity

30-day exclusive negotiating period

Expenses

Company to reimburse reasonable legal fees of lead investor, not to exceed
\$75,000

Governing Law

Delaware

This Term Sheet is non-binding and is intended solely as a summary of the terms and conditions that are currently proposed by the parties. The parties acknowledge that they have not, and neither intend to enter, nor have they entered, into any agreement to

a definitive agreement pursuant to this Term Sheet, and either party may, at any time prior to execution of such definitive agreement, propose different terms or conditions from those summarized herein or unilaterally terminate all negotiations relating to this Term Sheet without any liability whatsoever to the other party.

[Signature blocks and date lines follow]

