R&D COST ALLOCATION BY PRODUCT LINE

CONFIDENTIAL & PROPRIETARY

Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

1. PURPOSE AND SCOPE

1. This Research & Development Cost Allocation Policy ("Policy") establishes the methodology and procedures for allocating research and development expenditures across Polar Dynamics Robotics, Inc.'s ("Company") product lines and development initiatives.

2. This Policy applies to all R&D activities conducted at Company facilities or by Company personnel, including contracted research services and collaborative development projects.

2. PRODUCT LINE DEFINITIONS

1. **Arctic Series (AS)**: Temperature-hardened autonomous mobile robots designed for deep-freeze environments (-40 C to -20 C)

- AS-1000: Heavy-duty payload platform
- AS-500: Medium-duty logistics robot
- AS-200: Compact cold storage unit

2. **Polar Series (PS)**: Standard temperature-controlled environment robots (0 C to -20 C)

- PS-800: Industrial cold storage platform
- PS-400: Pharmaceutical grade unit
- PS-100: Light-duty cold chain robot

3. **IceNav(TM) Platform**: Proprietary navigation and control software system

3. COST ALLOCATION METHODOLOGY

1. **Direct Development Costs**

- Engineering labor hours directly attributed to specific product development
- Product-specific components and materials
- Testing and certification costs for individual products

- Product-specific tooling and equipment

2. **Shared Technology Costs**

- IceNav(TM) platform development (allocated based on computational resource usage)
- Common actuator technology improvements
- Thermal management system development
- Cross-platform control systems

3. **Allocation Basis**

- Primary: Direct engineering hours (70% weight)
- Secondary: Expected revenue contribution (20% weight)
- Tertiary: Strategic priority rating (10% weight)

4. CURRENT ALLOCATION PERCENTAGES

1. **Arctic Series Total: 45%**

- AS-1000: 20%
- AS-500: 15%
- AS-200: 10%

2. **Polar Series Total: 35%**

- PS-800: 15%
- PS-400: 12%
- PS-100: 8%

3. **IceNav(TM) Platform: 20%**

- Core development: 12%
- Product-specific customization: 8%

5. TRACKING AND REPORTING

1. **Time Tracking Requirements**

- All engineering personnel must log hours by product code
- Minimum 15-minute increment reporting
- Weekly timesheet submission and approval

- Monthly reconciliation against project milestones

2. **Cost Center Structure**
- CC-RD01: Arctic Series Development
- CC-RD02: Polar Series Development
- CC-RD03: IceNav(TM) Platform Development
- CC-RD04: Common Technologies

3. **Reporting Cadence**
- Monthly allocation reports to Finance
- Quarterly review by Executive Team
- Annual audit and adjustment process

6. GOVERNANCE AND REVIEW

1. **Oversight Committee**
- Chief Technology Officer (Chair)
- Chief Financial Officer
- Chief Robotics Officer
- VP of Engineering
- Director of Financial Planning & Analysis

2. **Review Schedule**
- Quarterly review of allocation percentages
- Semi-annual methodology review
- Annual comprehensive policy review

7. COMPLIANCE AND DOCUMENTATION

1. All R&D cost allocations must comply with:
- GAAP requirements
- R&D tax credit documentation standards
- Internal control procedures
- Grant funding requirements (where applicable)

2. Required Documentation:

- Detailed engineering time records
- Project authorization forms
- Capital expenditure approvals
- Technology transfer agreements

8. CONFIDENTIALITY

1. This document contains confidential and proprietary information of Polar Dynamics Robotics, Inc. and may not be disclosed without written authorization from the Chief Financial Officer or General Counsel.

9. APPROVAL AND EXECUTION

APPROVED AND ADOPTED by the undersigned authorized officers of Polar Dynamics Robotics, Inc., effective as of January 1, 2024.

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Katherine Wells

Chief Financial Officer

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Marcus Chen

Chief Technology Officer

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Dr. James Barrett

Chief Robotics Officer

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