

WARRANTY RESERVE CALCULATION MODEL

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Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

Document Version: 2.0

1. PURPOSE AND SCOPE

1. This Warranty Reserve Calculation Model (the "Model") establishes
2. This Model applies to all warranty obligations arising from the sale of

2. DEFINITIONS

- 1. "Warranty Cost" means the actual expenses incurred in fulfilling wa
- 2. "Warranty Period" means the standard 24-month warranty period fo
- 3. "Historical Claim Rate" means the percentage of units that have rec

3. RESERVE CALCULATION METHODOLOGY

- 1. Base Formula

The warranty reserve for each product category shall be calculated as

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Reserve = (Units Sold Historical Claim Rate Average Repair Cost)

(Projected Sales Forecasted Claim Rate Estimated Future Cost)

...

2. Adjustment Factors

The base calculation shall be adjusted for:

- (a) Operating temperature variations (-40 C to -5 C)
- (b) Usage intensity metrics
- (c) Geographic distribution factors
- (d) Component-specific failure rates

4. SPECIFIC RESERVE REQUIREMENTS

1. AMR Units

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Primary reserve: 8% of trailing 12-month revenue

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Secondary reserve: 3% of projected 12-month revenue

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Minimum reserve floor: \$750,000

2. BlueCore(TM) Components

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Primary reserve: 5% of trailing 12-month revenue

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Secondary reserve: 2% of projected 12-month revenue

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Minimum reserve floor: \$250,000

5. REVIEW AND ADJUSTMENT PROCEDURES

1. Quarterly Review

The Company shall conduct quarterly reviews of:

- (a) Actual warranty claims versus reserved amounts
- (b) Claim patterns and trending
- (c) Cost per repair metrics
- (d) Environmental factor impacts

2. Annual Adjustment

Full recalibration of the Model shall occur annually, including:

- (a) Statistical analysis of failure rates
- (b) Cost trend analysis
- (c) Technology evolution impacts
- (d) Market condition changes

6. REPORTING REQUIREMENTS

1. Monthly Reports

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Current reserve balance

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Claims paid

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Reserve adjustments

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Variance analysis

2. Quarterly Reports

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Detailed claim analysis

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Cost trending

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Geographic distribution

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Product-specific metrics

7. COMPLIANCE AND AUDIT

1. The Company's Finance Department shall maintain detailed records of the following:

(a) All warranty claims

(b) Reserve calculations

(c) Adjustment rationales

(d) Supporting documentation

2. Annual independent audit review of reserve adequacy and calculation

8. SPECIAL CONSIDERATIONS

1. Extended Warranty Programs

Separate reserves shall be maintained for extended warranty programs at 150% of standard warranty rates.

2. Beta Products

Prototype and beta products shall carry additional reserves of 200% of standard rates.

9. AUTHORITY AND AMENDMENTS

1. This Model may be amended only by written approval of:

- - 8 -

Chief Financial Officer

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Chief Technology Officer

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Controller

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Head of Quality Assurance

2. Material changes require Board notification.

EXECUTION

IN WITNESS WHEREOF, this Warranty Reserve Calculation Model has been
and adopted by the undersigned authorized officers of the Company as follows:

Effective Date.

POLAR DYNAMICS ROBOTICS, INC.

By: _

Name: Victoria Wells

Title: Chief Financial Officer

By: _

Name: Marcus Chen

Title: Chief Technology Officer

Date: January 1, 2024

