

# TAX PLANNING STRATEGY DOCUMENT 2024

## POLAR DYNAMICS ROBOTICS, INC.

*A Delaware Corporation*

*Effective Date: January 1, 2024*

### 1. EXECUTIVE SUMMARY

This Tax Planning Strategy Document outlines the comprehensive tax planning approach for Polar Dynamics Robotics, Inc. ("Company") for fiscal year 2024, with consideration given to the Company's unique position in the industrial automation and robotics manufacturing sector, current revenue profile (\$32.5M annual), and growth trajectory.

### 2. SCOPE AND OBJECTIVES

1. This document establishes strategic tax planning initiatives designed to:
  - (a) Optimize the Company's effective tax rate while maintaining full compliance
  - (b) Maximize available R&D tax credits related to cold-environment robotics development
  - (c) Structure international operations to support global expansion
  - (d) Preserve tax attributes for future utilization

### 3. R&D TAX CREDIT STRATEGY

1. **\*\*Qualified Research Activities\*\***
  - Documentation of IceNav(TM) AI platform development activities
  - Cold-resistant actuator technology research expenditures
  - Thermal management systems engineering costs
  - Software development for autonomous navigation systems
2. **\*\*Documentation Requirements\*\***
  - Contemporaneous recording of all qualifying research activities
  - Maintenance of technical documentation supporting innovation claims
  - Time tracking systems for engineering personnel
  - Project-specific expense allocation protocols

## **4. CAPITAL INVESTMENT CONSIDERATIONS**

### **1. \*\*Fixed Asset Strategy\*\***

- Implementation of cost segregation studies for manufacturing facilities
- Accelerated depreciation planning for robotics testing equipment
- Strategic timing of capital expenditures to optimize tax benefits
- Evaluation of bonus depreciation opportunities under current tax law

### **2. \*\*Manufacturing Equipment\*\***

- Classification of prototype development equipment
- Treatment of testing facilities and cold-environment chambers
- Determination of qualified improvement property

## **5. STATE AND LOCAL TAX PLANNING**

### **1. \*\*Multi-State Operations\*\***

- Nexus analysis for manufacturing and R&D facilities
- State-specific R&D credit opportunities
- Sales tax treatment of robotics systems
- Property tax planning for manufacturing equipment

### **2. \*\*Tax Incentive Programs\*\***

- Evaluation of state-specific manufacturing incentives
- Technology development zone credits
- Employment-based tax incentives
- Training program credits

## **6. INTERNATIONAL TAX CONSIDERATIONS**

### **1. \*\*Transfer Pricing\*\***

- Development of transfer pricing methodology for international sales
- Documentation requirements for intercompany transactions
- Cost-sharing arrangements for technology development
- Implementation of advance pricing agreements where appropriate

## 2. **\*\*Foreign Tax Credit Planning\*\***

- Analysis of foreign tax credit limitations
- Planning for repatriation of foreign earnings
- Evaluation of check-the-box elections
- GILTI impact analysis and planning

## **7. TRANSACTION PLANNING**

### 1. **\*\*Strategic Initiatives\*\***

- Tax structure analysis for potential acquisitions
- Integration planning for tax attributes
- Stock option and equity compensation planning
- Analysis of section 382 limitations

## **8. COMPLIANCE AND REPORTING**

### 1. **\*\*Documentation Requirements\*\***

- Maintenance of contemporaneous documentation
- Implementation of tax provision processes
- Development of internal controls for tax reporting
- Establishment of tax risk management procedures

## **9. REVIEW AND UPDATES**

This tax planning strategy shall be reviewed quarterly by the Tax Committee and updated as necessary to reflect changes in:

- Tax legislation and regulations
- Company operations and structure
- Business objectives and strategy
- Market conditions and competitive environment

## **10. AUTHORIZATION AND APPROVAL**

This Tax Planning Strategy Document 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

Elena Frost, Ph.D.

Chief Executive Officer

Date: December 15, 2023

## **11. DISCLAIMER**

This document contains confidential and proprietary information of Polar Dynamics Robotics, Inc. and is protected by attorney-client privilege. This strategy document does not constitute tax advice and should be reviewed with qualified tax advisors before implementation of any specific strategies contained herein.