R&D TAX CREDIT CALCULATION 2023

R&D TAX CREDIT CALCULATION 2023

POLAR DYNAMICS ROBOTICS, INC.

For Tax Year Ending December 31, 2023

Prepared in accordance with IRC Section 41

1. EXECUTIVE SUMMARY

This document details the calculation of Research & Development Ta

Polar Dynamics Robotics, Inc. ("Company") for tax year 2023, pursua

Internal Revenue Code Section 41. The Company has conducted sign

qualified research activities related to its BlueCore(TM) technology pla
and autonomous mobile robot systems designed for extreme cold env

2. QUALIFIED RESEARCH EXPENSES (QRE)

2.1 Wage QREs

- R&D Engineering Staff: $4,825,000
- Software Development Team: $2,750,000
- Research Scientists: $1,925,000
- Project Management (80% allocation): $875,000

Total Wage QREs: $10,375,000

2.2 Supply QREs

-

Prototype Materials: $1,250,000

-

Testing Equipment: $875,000

-

Laboratory Supplies: $425,000

-

Specialized Components: $650,000

Total Supply QREs: $3,200,000

2.3 Contract Research

-

University Research Partnerships: $450,000

Third-Party Testing Services: $325,000

-

Specialized Engineering Consultants: $275,000

Total Contract Research: $1,050,000 (65% eligible = $682,500)

3. BASE PERIOD CALCULATIONS

3.1 Fixed-Base Percentage

-

2019-2022 Average Annual Gross Receipts: $22,750,000

-

Historical QREs (2019-2022): $42,500,000

-

Fixed-Base Percentage: 16.8%

3.2 Base Amount

-

Current Year Gross Receipts (2023): $31,500,000

-

Calculated Base Amount: $5,292,000

-

Minimum Base Amount: $7,128,750

4. CREDIT CALCULATION

4.1 Regular Credit Method

-

Total Current Year QREs: $14,257,500

-

Base Amount: $7,128,750

-

Excess QREs: $7,128,750

-

Credit Rate: 20%

-

Regular Credit Amount: $1,425,750

4.2 Alternative Simplified Credit (ASC)

-

Average QREs (2020-2022): $11,250,000

-

Current Year QREs: $14,257,500

-

Increase in QREs: $3,007,500

ASC Rate: 14%

-

ASC Amount: $421,050

5. DOCUMENTATION AND SUBSTANTIATION

5.1 Key Research Projects

BlueCore(TM) Navigation System Enhancement

Sub-Zero Battery Management System

Reinforced Chassis Design Optimization

Cold-Environment Sensor Integration

Autonomous Path Planning Algorithms

5.2 Supporting Documentation

The Company maintains the following documentation to substantiate t

credits:

-

Contemporaneous project records

-

Employee time tracking data

-

Research project plans and results

-

Testing protocols and outcomes

-

Engineering design documents

-

Prototype development records

6. CERTIFICATION

The undersigned officers hereby certify that:

All claimed expenses meet the four-part test for qualified research und

All calculations have been performed in accordance with applicable re

Supporting documentation is maintained and available for IRS review

All amounts are accurate to the best of our knowledge

7. DISCLAIMERS

This calculation has been prepared for internal use and tax filing purp
only. While reasonable care has been taken in its preparation, final
determination of qualified research expenses rests with the Internal R

Service₉This document should be reviewed by qualified tax professio

being relied upon for tax filing purposes.

8. EXECUTION

DATED this 15th day of January, 2024

POLAR DYNAMICS ROBOTICS, INC.

By: _

Victoria Wells

Chief Financial Officer

By: _

Dr. Elena Frost

Chief Executive Officer

REVIEWED BY:

_

Johnson & Associates, LLP

Tax Advisors

January 15, 2024