

ROBOT FLEET DEPRECIATION SCHEDULE

Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

1. PURPOSE AND SCOPE

1. This Robot Fleet Depreciation Schedule ("Schedule") establishes the standardized depreciation methodology for Polar Dynamics Robotics, Inc.'s ("Company") fleet of autonomous mobile robots ("AMRs") and related equipment for accounting, tax, and asset management purposes.

2. This Schedule applies to all Company-owned AMR units, including IceNav(TM)-enabled models, cold storage variants, and associated control systems deployed across customer facilities or maintained in Company inventory.

2. ASSET CLASSIFICATIONS

1. **Class A - Premium Cold Environment AMRs**

- IceNav(TM) Series 3000 and above
- Useful Life: 7 years
- Salvage Value: 10% of original cost
- Depreciation Method: Modified Accelerated Cost Recovery System (MACRS)

2. **Class B - Standard Cold Environment AMRs**

- IceNav(TM) Series 1000-2999
- Useful Life: 5 years
- Salvage Value: 8% of original cost
- Depreciation Method: MACRS

3. **Class C - Navigation and Control Systems**

- IceNav(TM) Control Units
- Thermal Management Systems
- Useful Life: 3 years
- Salvage Value: 5% of original cost
- Depreciation Method: Straight-line

3. DEPRECIATION CALCULATIONS

1. **Annual Depreciation Rates - Class A Units**

- Year 1: 14.29%
- Year 2: 24.49%
- Year 3: 17.49%
- Year 4: 12.49%
- Year 5: 8.93%
- Year 6: 8.92%
- Year 7: 8.93%
- Residual: 4.46%

2. **Annual Depreciation Rates - Class B Units**

- Year 1: 20.00%
- Year 2: 32.00%
- Year 3: 19.20%
- Year 4: 11.52%
- Year 5: 11.52%
- Residual: 5.76%

3. **Annual Depreciation Rates - Class C Systems**

- Year 1: 33.33%
- Year 2: 33.33%
- Year 3: 33.34%

4. SPECIAL CONSIDERATIONS

1. **Accelerated Depreciation Triggers**

- Operational hours exceeding 6,000 per annum
- Sustained operation below -40 C
- Physical damage requiring component replacement
- Software obsolescence requiring full system upgrade

2. **Depreciation Adjustments**

- Units operating in extreme conditions (-50 C or below) may be depreciated at 150% of standard rates
- Customer-specific modifications may alter depreciation schedule subject to CFO approval
- Refurbished units shall be depreciated based on remaining useful life

5. ACCOUNTING TREATMENT

1. **Capitalization Threshold**

- Individual AMR units: \$50,000
- Control systems: \$25,000
- Component upgrades: \$10,000

2. **Recognition Criteria**

- Assets recorded at acquisition cost plus installation
- Depreciation begins first day of month following deployment
- Mid-year convention applies for partial year service

6. REPORTING AND REVIEW

1. **Quarterly Review Requirements**

- Fleet utilization analysis
- Depreciation rate validation
- Salvage value adjustments
- Impairment assessments

2. **Annual Certification**

- CFO certification of depreciation calculations
- External auditor review
- Board of Directors approval for material changes

7. AMENDMENTS AND UPDATES

1. This Schedule shall be reviewed annually and updated as necessary to reflect:

- Changes in tax regulations
- Technological advances

- Market conditions
 - Company asset management strategy
2. All amendments require written approval from:
- Chief Financial Officer
 - Chief Technology Officer
 - Board of Directors (for material changes)

8. AUTHORIZATION

This Robot Fleet Depreciation Schedule is hereby adopted and approved:

POLAR DYNAMICS ROBOTICS, INC.

By:

Katherine Wells

Chief Financial Officer

Date:

By:

Marcus Chen

Chief Technology Officer

Date:

APPROVED BY BOARD OF DIRECTORS

Resolution No.: 2024-001

Meeting Date: December 15, 2023