

| OMB APPROVAL | |
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| OMB Number: | 3235-0287 |
| Estimated average burden hours per response: | 0.5 |

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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|--|--|--|
| 1. Name and Address of Reporting Person* <u>GARAGIC DENIS</u> (Last) (First) (Middle) <u>C/O PALLADYNE AI CORP.</u> <u>650 SOUTH 500 WEST, SUITE 150</u> (Street) <u>SALT LAKE CITY UT 84101</u> (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol <u>Palladyne AI Corp. [PDYN]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>CHIEF TECHNOLOGY OFFICER</u> |
| | 3. Date of Earliest Transaction (Month/Day/Year) <u>04/17/2024</u> | |
| | 4. If Amendment, Date of Original Filed (Month/Day/Year) | |
| | Rule 10b5-1(c) Transaction Indication <input type="checkbox"/> Check this box to indicate that a transaction was made pursuant to a contract, instruction or written plan that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). See Instruction 10. | |

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|--------|---|---|--|---|
| | | | Code | V | Amount | | | | |

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) | |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|--|--|---|--|-------|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | | | | | | Title |
| Stock Option (right to buy) | \$7.44 ⁽¹⁾ | 04/17/2024 | | D | | 21,372 ⁽¹⁾ | | (2) | 05/28/2030 | Common Stock | 21,372 | (3) | 0 | D | |
| Stock Option (right to buy) | \$24.54 ⁽⁴⁾ | 04/17/2024 | | D | | 14,204 ⁽⁴⁾ | | (5) | 05/20/2032 | Common Stock | 14,204 | (3) | 0 | D | |
| Stock Option (right to buy) | \$2.82 ⁽⁶⁾ | 04/17/2024 | | D | | 68,486 ⁽⁶⁾ | | (6) | 03/29/2033 | Common Stock | 68,486 | (3) | 0 | D | |
| Stock Option (right to buy) | \$1.59 | 04/17/2024 | | A | | 21,372 | | (7) | 05/28/2030 | Common Stock | 21,372 | (3) | 21,372 | D | |
| Stock Option (right to buy) | \$1.59 | 04/17/2024 | | A | | 14,204 | | (7) | 05/20/2032 | Common Stock | 14,204 | (3) | 14,204 | D | |
| Stock Option (right to buy) | \$1.59 | 04/17/2024 | | A | | 68,486 | | (7) | 03/29/2033 | Common Stock | 68,486 | (3) | 68,486 | D | |

Explanation of Responses:

- This option award was granted on May 29, 2020 and was previously reported as covering 128,230 shares at an exercise price of \$1.24 per share, but was adjusted to reflect a 1-for-6 reverse stock split that occurred on July 5, 2023.
- One-third (1/3) of the shares subject to the Option vested on May 29, 2021 and one-thirty-sixth (1/36) of the shares have vested or will vest each month thereafter.
- Outstanding options were amended to reduce the exercise price and revise the vesting terms. This amendment was approved by the compensation committee of the Issuer's board of directors and is intended to be exempt pursuant to Rule 16b-3 of the Exchange Act.
- This option award was granted on May 20, 2022 and was previously reported as covering 85,220 shares at an exercise price of \$4.09 per share, but was adjusted to reflect a 1-for-6 reverse stock split that occurred on July 5, 2023.
- 25% of the shares subject to the Option vested on May 20, 2023, and then 1/12 of the shares subject to the Option vest on each Quarterly Vesting Date thereafter, subject to the Reporting Person's continued service to the Issuer through such date.
- This option award was granted on May 29, 2023 and was previously reported as covering 410,914 shares at an exercise price of \$0.47 per share, but was adjusted to reflect a 1-for-6 reverse stock split that occurred on July 5, 2023.
- The option is fully unvested as of the amendment. 25% of the shares subject to the option will vest on March 29, 2025, and then 1/12 of the shares subject to the option vest on each quarterly vesting date thereafter, subject to the Reporting Person's continued service to the Issuer through such date.

/s/ Stephen Sonne, attorney-in-fact on behalf of Denis Garagic 04/19/2024

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.