

Product Development Cost Allocation Agreement

CONFIDENTIAL DOCUMENT

Nexus Intelligent Systems, Inc.

Proprietary and Confidential

1. PREAMBLE

This Product Development Cost Allocation Agreement ("Agreement") is executed on January 22, 2024, by and between the internal departments of Nexus Intelligent Systems, Inc., a Delaware corporation with principal offices located at 1200 Technology Park Drive, San Jose, California 95134.

2. DEFINITIONS

1 "Product Development Costs" shall mean all direct and indirect expenses associated with the research, design, prototype development, testing, and initial commercialization of enterprise AI platforms and predictive analytics solutions.

2 "Allocable Expenses" include, but are not limited to:

- a) Personnel compensation for engineering and research teams
- b) Hardware and software infrastructure costs
- c) Third-party consulting and technical validation expenses
- d) Prototype materials and testing equipment
- e) Intellectual property protection and patent filing costs

3 "Cost Allocation Methodology" refers to the standardized approach for distributing product development expenses across specific project streams and departmental budgets.

3. COST ALLOCATION PRINCIPLES

1 Direct Cost Attribution

All expenses directly attributable to a specific product development initiative shall be charged 100% to the corresponding project budget.

2 Indirect Cost Allocation

Indirect costs shall be allocated using a weighted methodology considering:

- Project complexity
- Anticipated revenue potential
- Strategic alignment with company objectives
- Estimated development timeline

3 Cost Allocation Percentages

The following allocation framework shall be applied:

- Machine Learning Diagnostic Tools: 42% of total R&D budget
- Predictive Maintenance Platforms: 35% of total R&D budget
- Enterprise Digital Transformation Solutions: 23% of total R&D budget

4. ACCOUNTING AND REPORTING REQUIREMENTS

1 Monthly Reporting

The Chief Financial Officer and Chief Technology Officer shall jointly produce a comprehensive monthly report detailing:

- Actual expenses per product development stream
- Variance analysis from projected budgets
- Justification for any material cost overruns

2 Quarterly Review

A formal quarterly review shall be conducted to:

- Validate cost allocation methodologies
- Assess project-specific financial performance
- Recommend potential budget reallocation strategies

5. COMPLIANCE AND AUDIT PROVISIONS

1 Internal Audit

The company's internal audit team shall conduct bi-annual reviews to ensure:

- Compliance with established cost allocation principles
- Accuracy of financial reporting
- Alignment with generally accepted accounting principles

2 External Verification

An independent third-party accounting firm shall perform an annual comprehensive review of the cost allocation methodology and implementation.

6. DISPUTE RESOLUTION

1 Interdepartmental Disputes

Any disputes regarding cost allocation shall be resolved through a formal escalation process involving:

- Department Heads
- Chief Financial Officer
- Chief Strategy Officer

2 Mediation

Unresolved disputes shall be subject to confidential mediation by an independent third-party financial expert.

7. MODIFICATION AND AMENDMENT

1 This Agreement may only be modified through a formal written amendment approved by the Chief Financial Officer and Chief Executive Officer.

8. EXECUTION

Executed by authorized representatives of Nexus Intelligent Systems, Inc.:

Dr. Elena Rodriguez

Chief Executive Officer

Date: January 22, 2024

Michael Chen

Chief Technology Officer

Date: January 22, 2024

Sarah Williamson

Chief Strategy Officer

Date: January 22, 2024