

Corporate Expense Allocation Methodology

1. PRELIMINARY STATEMENT

1 This Corporate Expense Allocation Methodology ("Methodology") is established by Nexus Intelligent Systems, Inc., a Delaware corporation (the "Company"), to provide a comprehensive and transparent framework for the systematic allocation of corporate expenses across operational and strategic business units.

2 The purpose of this Methodology is to:

- a) Establish clear principles for expense categorization
- b) Define allocation mechanisms for shared corporate resources
- c) Ensure compliance with financial reporting standards
- d) Support accurate internal cost management and financial analysis

2. DEFINITIONS

1 "Allocable Expenses" shall mean corporate expenses that can be reasonably distributed across multiple business units or functional departments.

2 "Direct Expenses" shall mean costs directly attributable to a specific business unit or operational function.

3 "Indirect Expenses" shall mean corporate overhead costs that cannot be immediately attributed to a single business unit.

4 "Allocation Basis" refers to the specific metric used to distribute shared expenses among organizational units.

3. EXPENSE CATEGORIZATION

1 Direct Expense Allocation

a) Research & Development expenses shall be allocated based on:

- Headcount within specific technology development teams
- Direct project resource allocation
- Specific technology platform development costs

b) Sales and Marketing expenses shall be allocated according to:

- Revenue generated by specific business segments
- Geographic market penetration
- Customer acquisition metrics

2 Indirect Expense Allocation

a) Corporate overhead expenses shall be distributed using:

- Proportional headcount methodology
- Revenue-based allocation percentages
- Strategic importance of business unit

4. ALLOCATION METHODOLOGIES

1 Headcount-Based Allocation

- Corporate expenses such as general administrative costs, insurance, and shared technology infrastructure shall be allocated proportionally based on full-time equivalent (FTE) employee count within each business unit.

2 Revenue-Based Allocation

- Certain marketing and corporate development expenses shall be distributed based on the prior fiscal year's revenue contribution from each business segment.

3 Activity-Based Costing

- Complex shared services shall utilize detailed activity tracking to determine precise allocation percentages.

5. GOVERNANCE AND OVERSIGHT

1 The Chief Financial Officer shall be responsible for:

- a) Annual review and validation of allocation methodologies
- b) Ensuring compliance with accounting standards
- c) Maintaining documentation of allocation calculations

2 Annual Methodology Review

- This Methodology shall be comprehensively reviewed annually, with potential adjustments based on:

- Organizational structural changes
- Significant shifts in business strategy
- Emerging accounting best practices

6. COMPLIANCE AND REPORTING

1 All expense allocations must adhere to:

- Generally Accepted Accounting Principles (GAAP)
- Internal Revenue Service regulations
- Company's financial reporting standards

2 Quarterly reconciliation reports shall be prepared documenting:

- Actual expense allocations
- Variance analysis
- Justification for any material allocation adjustments

7. LIMITATIONS AND DISCLAIMERS

1 This Methodology represents a good-faith effort to establish equitable expense allocation principles. The Company reserves the right to modify allocation approaches as business conditions evolve.

2 No provision herein shall be construed as a guarantee of specific financial outcomes or absolute cost recovery.

8. EXECUTION

Approved and executed this 22nd day of January, 2024.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.