

Section 174 Research Expenditure Tax Documentation

Confidential Legal Instrument

Nexus Intelligent Systems, Inc.

PRELIMINARY STATEMENT

This Section 174 Research Expenditure Tax Documentation ("Document") is executed on January 22, 2024, by Nexus Intelligent Systems, Inc., a Delaware corporation with principal offices located at 1200 Technology Park Drive, San Jose, California 95134.

1. DEFINITIONS

1 "Qualified Research Expenditure" (QRE) shall mean all direct and indirect research and development costs incurred by the Company that meet the criteria established under Internal Revenue Code Section 174.

2 "Eligible Research Activities" shall include:

- a) Systematic experimental activities designed to discover technological information
- b) Development of experimental prototypes and models
- c) Software engineering and algorithmic research
- d) Machine learning model development and testing

2. RESEARCH EXPENDITURE CLASSIFICATION

1 Qualified Research Categories

The Company hereby certifies the following research expenditure categories for tax year 2023:

a) Personnel Research Costs

- Direct labor costs for research personnel
- Fully burdened compensation for engineering and scientific staff
- Allocated overhead for research departments

b) Technology Development Expenses

- Prototype development and testing
- Computational resources and cloud computing infrastructure
- Software licensing and development tools

- Specialized research equipment and instrumentation

c) Experimental Design Costs

- Computational modeling expenses
- Machine learning training infrastructure
- Data acquisition and preprocessing expenses

3. DOCUMENTATION METHODOLOGY

1 Accounting Approach

The Company utilizes a comprehensive time-tracking and project allocation methodology to precisely document and categorize research expenditures, ensuring compliance with IRS guidelines and maintaining rigorous documentation standards.

2 Expense Tracking Protocols

- a) All research expenses are tracked using enterprise-grade accounting software
- b) Individual project codes are assigned for granular expense tracking
- c) Quarterly reconciliation and validation processes are implemented
- d) Independent third-party verification is conducted annually

4. FINANCIAL SUMMARY

1 Total Qualified Research Expenditures

For the tax year ending December 31, 2023, Nexus Intelligent Systems, Inc. reports the following research expenditures:

- Total QREs: \$3,750,000
- Direct Labor Costs: \$2,250,000
- Technology Infrastructure: \$875,000
- Experimental Design Costs: \$625,000

5. COMPLIANCE ATTESTATION

1 Legal Representation

The undersigned hereby certifies that:

- a) All reported research expenditures comply with Section 174 requirements
- b) Documentation supporting these expenditures is complete and accurate

c) No intentional misrepresentation has been made

6. LIMITATIONS AND DISCLAIMERS

1 The Company reserves the right to amend this documentation in response to future IRS guidance or regulatory changes.

2 This document represents a good-faith representation of research expenditures and is subject to potential audit and verification.

EXECUTION

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.

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