

# Software Development Cost Allocation Agreement

## CONFIDENTIAL DOCUMENT

Nexus Intelligent Systems, Inc.

Proprietary and Confidential

### 1. PREAMBLE

This Software 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 "Development Costs" shall mean all direct and indirect expenses associated with software engineering, design, testing, and implementation of enterprise AI platforms.

2 "Allocated Costs" refers to the proportional distribution of software development expenses across specific business units and project streams.

3 "Capitalization Threshold" means the minimum expenditure level at which software development costs will be capitalized versus expensed.

### 3. COST ALLOCATION METHODOLOGY

#### 1 Direct Cost Allocation

All software development costs shall be initially categorized into the following primary classifications:

- a) Personnel Expenses
- b) Infrastructure and Technology Investments
- c) Third-Party Software and Licensing
- d) Cloud Computing and Hosting Resources
- e) Quality Assurance and Testing Expenditures

#### 2 Proportional Distribution Framework

Costs will be allocated using a weighted methodology considering:

- Project complexity
- Strategic business value
- Anticipated return on investment
- Estimated development timeline

## **4. CAPITALIZATION GUIDELINES**

### **1 Capitalization Criteria**

Software development costs shall be capitalized when they meet the following conditions:

- a) Technical feasibility has been established
- b) Management intends to complete and use the software
- c) Estimated development costs exceed \$50,000
- d) The project demonstrates probable future economic benefit

### **2 Expense Recognition**

Costs not meeting capitalization criteria will be immediately recognized as period expenses in accordance with GAAP accounting principles.

## **5. REPORTING AND DOCUMENTATION**

### **1 Quarterly Cost Reconciliation**

The Chief Financial Officer and Chief Technology Officer shall jointly review and validate:

- Detailed cost allocation reports
- Variance analysis between projected and actual expenses
- Alignment with strategic technology investment goals

### **2 Documentation Requirements**

All cost allocation decisions must be:

- Contemporaneously documented
- Supported by verifiable financial records
- Consistent with company accounting policies

## **6. COMPLIANCE AND INTERNAL CONTROLS**

## 1 Audit Trail

A comprehensive audit trail shall be maintained documenting:

- Individual cost entries
- Allocation rationales
- Approving personnel
- Timestamp of allocation decisions

## 2 Annual Review

An independent financial review will be conducted annually to validate the cost allocation methodology's integrity and compliance with accounting standards.

# 7. CONFIDENTIALITY AND RESTRICTIONS

## 1 Restricted Access

This document and all associated financial calculations are strictly confidential and accessible only to authorized finance and technology leadership.

## 2 Non-Disclosure

Unauthorized disclosure of cost allocation methodologies is prohibited and may result in disciplinary action.

# 8. EXECUTION

By signing below, the authorized representatives acknowledge review, understanding, and acceptance of this Software Development Cost Allocation Agreement.

## AUTHORIZED SIGNATURES

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.

Sarah Williamson

Chief Strategy Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024