

# **Technology Asset Depreciation and Replacement Schedule**

## **1. PRELIMINARY PROVISIONS**

### **1.1 Purpose**

This Technology Asset Depreciation and Replacement Schedule ("Schedule") is established by Nexus Intelligent Systems, Inc. (the "Company") to provide a comprehensive framework for managing, tracking, and strategically replacing critical technology infrastructure and assets.

### **1.2 Scope**

This Schedule applies to all technology assets owned, leased, or operationally critical to the Company's enterprise AI services and predictive analytics platforms, including but not limited to:

- Server infrastructure
- High-performance computing systems
- Network and telecommunications equipment
- Data storage and backup systems
- Machine learning computational resources
- Specialized AI research and development hardware

## **2. ASSET CLASSIFICATION AND DEPRECIATION METHODOLOGY**

### **2.1 Asset Categories**

The Company shall classify technology assets into the following depreciation categories:

#### **a) Computational Infrastructure**

- Depreciation Period: 3-4 years
- Straight-line depreciation method
- Replacement trigger: Performance degradation, technological obsolescence

#### **b) Network and Connectivity Equipment**

- Depreciation Period: 5 years
- Declining balance depreciation method
- Replacement trigger: Bandwidth limitations, security vulnerabilities

#### **c) Specialized AI Research Hardware**

- Depreciation Period: 2-3 years
- Accelerated depreciation method
- Replacement trigger: Technological advancement, computational efficiency decline

## **2.2 Depreciation Calculation**

Depreciation shall be calculated using the following standardized approach:

- Initial asset value determined at time of acquisition
- Depreciation rate calculated based on expected useful life
- Annual depreciation expense recorded in financial statements
- Residual value estimated at end of useful life cycle

## **3. REPLACEMENT STRATEGY**

### **3.1 Replacement Triggers**

Technology assets shall be considered for replacement based on:

- Performance metrics falling below 70% of original specifications
- Increased maintenance costs exceeding 25% of asset's current market value
- Inability to support current software and operational requirements
- Security vulnerability assessments
- Technological obsolescence relative to industry standards

### **3.2 Replacement Approval Process**

Asset replacement requires:

- Detailed technical assessment by IT infrastructure team
- Cost-benefit analysis
- Chief Technology Officer (CTO) approval
- Financial review by Chief Financial Officer (CFO)

## **4. FINANCIAL PROVISIONS**

### **4.1 Budget Allocation**

The Company shall maintain an annual technology asset replacement reserve of no less than 8% of total technology infrastructure value, with specific allocations:

- Computational Infrastructure: 45% of reserve

- Network Equipment: 30% of reserve
- Specialized Research Hardware: 25% of reserve

## **4.2 Procurement Guidelines**

Replacement assets must:

- Meet or exceed current performance specifications
- Align with Company's technological strategy
- Provide measurable efficiency improvements
- Comply with existing technology ecosystem integration requirements

## **5. REPORTING AND COMPLIANCE**

### **5.1 Annual Review**

This Schedule shall be comprehensively reviewed annually, with potential modifications based on:

- Technological market developments
- Company strategic objectives
- Emerging computational requirements

### **5.2 Documentation**

Detailed records shall be maintained for each technology asset, including:

- Original acquisition date
- Initial and current market value
- Depreciation schedule
- Maintenance history
- Replacement recommendations

## **6. DISCLAIMER AND LIMITATIONS**

This Schedule represents a strategic framework and does not constitute a binding financial commitment. The Company reserves the right to modify, suspend, or terminate this Schedule at its sole discretion.

## **7. EXECUTION**

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

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Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

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Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.