

Subsidiary Management and Reporting Protocol

Preamble

This Subsidiary Management and Reporting Protocol ("Protocol") is established by Nexus Intelligent Systems, Inc., a Delaware corporation (the "Company"), effective as of January 22, 2024, to provide comprehensive governance, oversight, and operational guidelines for all subsidiary entities.

1. Definitions

1 "Subsidiary" shall mean any legal entity in which the Company maintains a controlling equity interest of greater than fifty percent (50%) of voting securities or equivalent ownership rights.

2 "Senior Management" refers to the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, and other executive-level officers as designated by the Board of Directors.

3 "Reporting Period" means the quarterly and annual financial and operational reporting cycles as defined in Section 3 of this Protocol.

2. Governance Framework

1 Subsidiary Oversight

The Company shall maintain direct oversight of all subsidiary operations through the following mechanisms:

- a) Mandatory quarterly executive review meetings
- b) Comprehensive financial and operational reporting requirements
- c) Standardized performance evaluation metrics
- d) Centralized financial control and audit processes

2 Board Representation

For each subsidiary, the Company shall:

- a) Maintain majority board representation
- b) Appoint at least two (2) independent directors
- c) Establish clear voting and decision-making protocols
- d) Implement robust conflict of interest policies

3. Reporting Requirements

1 Financial Reporting

Subsidiaries shall submit the following financial reports:

a) Quarterly Consolidated Financial Statements

- Prepared in accordance with GAAP
- Submitted within 30 days of quarter-end
- Comprehensive income statements, balance sheets, and cash flow analyses

b) Annual Audited Financial Statements

- Independently audited by a recognized accounting firm
- Submitted within 90 days of fiscal year-end
- Detailed footnotes and comprehensive financial disclosures

2 Operational Reporting

Mandatory quarterly operational reports must include:

- a) Key performance indicators (KPIs)
- b) Strategic initiative progress
- c) Risk management assessments
- d) Compliance status updates
- e) Technology and innovation pipeline developments

4. Compliance and Risk Management

1 Compliance Protocols

Each subsidiary must:

- a) Adhere to Company-wide compliance standards
- b) Implement robust internal control frameworks
- c) Conduct annual compliance training
- d) Maintain comprehensive compliance documentation

2 Risk Mitigation

Subsidiaries shall:

- a) Develop and maintain enterprise risk management frameworks
- b) Conduct quarterly risk assessment reviews
- c) Implement proactive risk mitigation strategies
- d) Report any material risks immediately to Senior Management

5. Technology and Intellectual Property

1 IP Ownership and Transfer

All intellectual property developed by subsidiaries shall:

- a) Be immediately transferred to the parent company
- b) Follow standardized IP assignment protocols
- c) Comply with existing technology transfer agreements
- d) Be documented through formal assignment instruments

2 Technology Integration

Subsidiaries must:

- a) Maintain technology compatibility with parent company systems
- b) Follow standardized technology development guidelines
- c) Participate in centralized innovation review processes

6. Financial Controls

1 Treasury Management

All subsidiaries shall:

- a) Operate under centralized treasury management
- b) Follow standardized cash management protocols
- c) Obtain pre-approval for significant financial transactions
- d) Maintain transparent financial reporting

2 Budgeting and Forecasting

Annual budgeting process requires:

- a) Comprehensive budget submissions
- b) Detailed financial projections
- c) Strategic alignment with company objectives
- d) Board of Directors approval

7. Dispute Resolution

1 Dispute Resolution Mechanism

Any disputes arising from this Protocol shall be:

- a) Initially addressed through internal mediation
- b) Subject to binding arbitration
- c) Governed by Delaware corporate law
- d) Resolved through confidential proceedings

8. Amendment and Modification

1 Protocol Amendments

This Protocol may be amended:

- a) By majority vote of the Board of Directors
- b) With written notice to all subsidiary leadership
- c) Effective immediately upon board approval

9. Execution

Approved and executed by:

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Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024