Research Credit Computational Worksheet

Confidential Document - Nexus Intelligent Systems, Inc.

1. PRELIMINARY DEFINITIONS

1 "Research Credit" shall mean the federal tax credit available under Internal Revenue Code Section 41 for qualified research expenditures incurred by Nexus Intelligent Systems, Inc. (hereinafter "Company") during the applicable tax period.

2 "Qualified Research Expenses" (QREs) shall include:

a) Wages paid to employees directly engaged in qualified research activities

b) Cost of supplies consumed in the research process

c) Contract research expenses meeting specific computational criteria

d) Computational methodologies consistent with Treasury Regulation   1.41-2

2. COMPUTATIONAL METHODOLOGY

1 Base Period Calculation

The base period calculation shall be determined using the following computational framework:

1.1 Fixed-Base Percentage Determination

-       Average annual gross receipts for prior four tax years: $10,250,000

-       Baseline research expenditure percentage: 3.2%

-       Adjusted fixed-base percentage: 2.95%

1.2 Base Amount Computation

Base Amount = Fixed-Base Percentage   Average Annual Gross Receipts

Base Amount = 2.95% $10,250,000 = $302,375

3. QUALIFIED RESEARCH EXPENSE ANALYSIS

1 Current Year Qualified Expenses Breakdown:

1.1 Wage Expenses

-       Total qualified research wages: $2,750,000

-       Percentage of total compensation attributable to research: 68%

- Qualified wage component: $1,870,000

1.2 Supply Expenses

- Direct research material costs: $425,000

- Qualifying supply expenses: $385,000

1.3 Contract Research Expenses

- External research contract costs: $650,000

- Qualifying contract research percentage: 80%

- Qualified contract research component: $520,000

4. RESEARCH CREDIT CALCULATION

1 Credit Computation

- Total Qualified Research Expenses: $2,775,000

- Base Amount: $302,375

- Excess Qualified Research Expenses: $2,472,625

2 Credit Rate Application

- Regular Credit Rate: 20%

- Calculated Research Credit: $494,525

5. DOCUMENTATION AND SUBSTANTIATION

1 Supporting Documentation

The Company maintains comprehensive documentation supporting these calculations, including:

- Detailed employee time tracking records

- Research project documentation

- Contemporaneous expense records

- Third-party contract agreements

2 Compliance Representations

The Company represents that all calculations herein:

- Comply with current IRS regulations

- Reflect accurate and good faith computational methodologies

- Are prepared consistent with applicable tax accounting standards

6. LIMITATIONS AND DISCLAIMERS

1 This computational worksheet represents management's best estimate and is subject to potential audit, review, and adjustment by relevant tax authorities.

2 The Company makes no absolute representation of ultimate tax credit realizability and recommends independent verification by qualified tax professionals.

7. 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.