

Capital Equipment Depreciation Schedule

Nexus Intelligent Systems, Inc.

Fiscal Year Ending December 31, 2023

1. INTRODUCTION AND PURPOSE

This Capital Equipment Depreciation Schedule ("Schedule") is prepared by Nexus Intelligent Systems, Inc., a Delaware corporation (the "Company"), to provide a comprehensive accounting of the Company's fixed asset depreciation methodology, current asset valuation, and projected depreciation expenses for enterprise-level technology and infrastructure investments.

2. DEPRECIATION METHODOLOGY

2.1 Accounting Standards

The depreciation schedule is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and follows the Modified Accelerated Cost Recovery System (MACRS) as prescribed by the Internal Revenue Service (IRS) regulations.

2.2 Depreciation Methods

The Company utilizes the following primary depreciation methods:

- Straight-line depreciation for office and administrative equipment
- Accelerated depreciation for technology and computational infrastructure
- Declining balance method for specialized AI and machine learning hardware

3. ASSET CLASSIFICATION AND DEPRECIATION SCHEDULES

3.1 Technology Infrastructure

Asset Category	Acquisition Cost	Useful Life	Annual Depreciation Rate
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High-Performance Compute Servers	\$1,250,000	5 years	20%
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Machine Learning Training Clusters	\$975,000	4 years	25%
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Network and Telecommunications Equipment	\$450,000	7 years	14.29%
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3.2 Office and Administrative Equipment

Asset Category	Acquisition Cost	Useful Life	Annual Depreciation Rate
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Enterprise Workstations \$225,000 3 years 33.33%
Office Furniture and Fixtures \$180,000 7 years 14.29%
Telecommunications Infrastructure \$135,000 5 years 20%

4. CUMULATIVE DEPRECIATION SUMMARY

4.1 Fiscal Year 2023 Depreciation Expense

Total Depreciation Expense: \$687,500

- Technology Infrastructure Depreciation: \$482,500
- Office and Administrative Equipment Depreciation: \$205,000

4.2 Accumulated Depreciation

Cumulative Depreciation to Date: \$2,145,000

Net Book Value of Depreciable Assets: \$3,955,000

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Asset Capitalization Threshold

The Company capitalizes individual assets with a cost exceeding \$5,000 and an expected useful life greater than one year.

5.2 Impairment and Disposal

Assets are regularly evaluated for potential impairment. When assets are sold or retired, the associated accumulated depreciation is removed from the balance sheet, and any resulting gain or loss is recognized in the income statement.

6. FORWARD-LOOKING DEPRECIATION PROJECTIONS

6.1 Projected Depreciation Expenses

- Fiscal Year 2024 (Estimated): \$725,000
- Fiscal Year 2025 (Estimated): \$680,000
- Fiscal Year 2026 (Estimated): \$595,000

7. LEGAL DISCLAIMER

This Capital Equipment Depreciation Schedule represents management's best estimate based on

current information and accounting policies. Actual results may differ from these projections due to technological obsolescence, changes in business strategy, or unforeseen market conditions.

8. CERTIFICATION

The undersigned hereby certifies that the information contained in this Capital Equipment Depreciation Schedule is true, accurate, and complete to the best of their knowledge.

Executed this 22nd day of January, 2024

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Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.