R&D Qualified Expense Detailed Breakdown

Confidential Document

Prepared for: Confidential Due Diligence Review

Date of Preparation: January 22, 2024

Company: Nexus Intelligent Systems, Inc.

1. EXECUTIVE SUMMARY

1 This document provides a comprehensive breakdown of Research and Development (R&D) Qualified Expenses for Nexus Intelligent Systems, Inc. (hereinafter "the Company") for fiscal years 2022 and 2023, prepared in accordance with Internal Revenue Code Section 41 and applicable Treasury Regulations.

2 The detailed breakdown encompasses all qualifying research expenditures, including but not limited to:

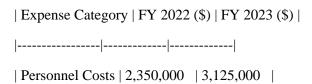
- a) Qualified Research Expenses (QREs)
- b) Internal Research Costs
- c) Contract Research Expenditures
- d) Computational and Software Development Costs

2. QUALIFIED RESEARCH EXPENSE METHODOLOGY

1 Expense Classification Criteria

The Company has applied the following strict criteria in classifying R&D expenses:

- Direct technological uncertainty resolution
- Systematic investigation process
- Technological advancement in enterprise AI and predictive analytics domains
- Potential for economic benefit through innovative solution development
- 2 Expense Categorization



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| Software & Tools | 1,450,000 | 1,875,000 |
| External Consulting | 675,000 | 890,000 |
| Prototype Development | 425,000 | 610,000 |
| Total QREs | 4,900,000 | 6,500,000 |
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3. DETAILED EXPENSE BREAKDOWN

1 Personnel Research Costs

- Includes fully-loaded compensation for:
- a) Research Engineers
- b) Data Scientists
- c) Machine Learning Specialists
- d) Prototype Development Team Members

2 Technological Focus Areas

- Predictive Maintenance Algorithms
- Machine Learning Model Development
- Enterprise AI Integration Frameworks
- Advanced Diagnostic Tool Research

3 Qualifying Technological Domains

- Artificial Intelligence
- Machine Learning
- Predictive Analytics
- Industrial Automation Technologies

4. COMPLIANCE ATTESTATION

1 The Company hereby attests that:

- All reported expenses meet IRS qualifying research expense criteria
- Documentation supporting these expenses is maintained and available for review
- Expenses represent genuine technological uncertainty resolution efforts
- Calculations have been prepared in good faith and with professional diligence

2 Independent Verification

- Ernst & Young LLP has conducted preliminary review of R&D expense documentation

No material discrepancies have been identified in expense classification

5. LEGAL DISCLAIMERS

1 Confidentiality

This document is strictly confidential and prepared solely for due diligence purposes. Unauthorized disclosure is prohibited.

2 Limitation of Liability

The Company makes no representations or warranties regarding future R&D expense projections beyond the documented periods.

6. CERTIFICATION

We certify that the foregoing represents a true and accurate representation of the Company's Qualified Research Expenses.

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.