

Research and Development Expense Allocation Breakdown

Confidential Document

Prepared for: Confidential Due Diligence Review

Date of Preparation: January 22, 2024

Company: Nexus Intelligent Systems, Inc.

1. PRELIMINARY DEFINITIONS

1 "R&D Expenses" shall mean all direct and indirect costs associated with research, development, technological innovation, and product engineering activities undertaken by Nexus Intelligent Systems, Inc. (hereinafter "the Company").

2 "Qualified Research Expenditures" (QREs) shall refer to expenses meeting the criteria established under Internal Revenue Code Section 41 for research and development tax credit calculations.

3 "Allocation Period" refers to the fiscal years ending December 31, 2022, and December 31, 2021.

2. COMPREHENSIVE R&D EXPENSE BREAKDOWN

2.1 Personnel Costs

1.1 Total Personnel Allocation: \$4,237,500

- Senior Research Engineers: \$1,875,000
- Machine Learning Specialists: \$1,162,500
- Research Support Staff: \$1,200,000

1.2 Percentage of Total Workforce Dedicated to R&D: 62.4%

2.2 Technology and Infrastructure Expenses

2.1 Computing Infrastructure: \$1,375,000

- High-Performance Computing Clusters: \$875,000
- Cloud Computing Resources: \$500,000

2.2 Software and Licensing: \$612,500

- Machine Learning Platforms: \$287,500

- Development Tools and Environments: \$325,000

2.3 External Research Collaborations

3.1 Academic Partnerships: \$375,000

- University Research Grants: \$225,000
- Collaborative Research Agreements: \$150,000

3.2 Third-Party Research Contracts: \$287,500

3. TAX CREDIT QUALIFICATION ANALYSIS

3.1 Qualified Research Expenditure Calculation

1.1 Total Qualified Expenses: \$6,887,500

- Direct Research Costs: \$5,612,500
- Indirect Supporting Expenses: \$1,275,000

1.2 Estimated Federal R&D Tax Credit: \$1,034,125

- Credit Rate: 14.5% of Qualified Expenses

3.2 State-Level R&D Tax Credit Considerations

2.1 Delaware R&D Tax Credit Eligibility: Confirmed

- Estimated State Tax Credit: \$276,500

4. COMPLIANCE AND DOCUMENTATION

1 All expenses documented herein have been:

- Independently verified
- Consistent with GAAP accounting principles
- Supported by contemporaneous documentation
- Reviewed by independent third-party tax specialists

2 Documentation Retention

- Complete expense records maintained for seven (7) years
- Detailed time tracking and project allocation logs available for audit

5. LIMITATIONS AND DISCLAIMERS

1 This document represents a good-faith representation of the Company's R&D expense allocation for the specified periods.

2 All financial figures are subject to final audit and verification.

3 This breakdown does not constitute a definitive tax filing and should not be interpreted as such.

6. CERTIFICATION

I, Dr. Elena Rodriguez, CEO of Nexus Intelligent Systems, Inc., hereby certify that the information contained in this Research and Development Expense Allocation Breakdown is true, accurate, and complete to the best of my knowledge.

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Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024