Section 174 Research Expenditure Documentation

Confidential Tax Documentation

Nexus Intelligent Systems, Inc.

PRELIMINARY STATEMENT

This Section 174 Research Expenditure Documentation ("Document") is prepared by Nexus Intelligent Systems, Inc., a Delaware corporation (hereinafter "Company"), to provide comprehensive documentation of qualified research expenditures for federal and state tax reporting purposes, effective as of fiscal year ending December 31, 2023.

1. DEFINITIONS

1 "Qualified Research Expenditures" (QRE) shall mean all direct and indirect costs associated with systematic technological investigation designed to discover new scientific or technological knowledge, including:

a) Wages paid to research personnel

b) Supplies and materials consumed in research processes

c) Contract research expenses

d) Computer usage and computational research costs

2 "Research Activities" shall encompass all technological development efforts related to the Company's enterprise AI services, predictive analytics platforms, and machine learning diagnostic tool development.

2. RESEARCH EXPENDITURE OVERVIEW

1 Total Qualified Research Expenditures for Fiscal Year 2023: $3,742,615

2 Research Expenditure Breakdown:

- Personnel Costs: $2,184,330 (58.4%)

- Materials and Supplies: $412,887 (11.0%)

- Contract Research: $876,542 (23.4%)

- Computational Resources: $268,856 (7.2%)

3. RESEARCH PERSONNEL ALLOCATION

1 Research Personnel Composition:

- Total Research Personnel: 24 employees

- PhD Researchers: 7

- Master's Level Researchers: 12

- Bachelor's Level Researchers: 5

2 Research Time Allocation Methodology:

The Company utilizes a contemporaneous documentation method to track and allocate research personnel time, including:

a) Detailed timekeeping systems

b) Project-specific tracking mechanisms

c) Quarterly validation of research time allocations

4. TECHNOLOGICAL DEVELOPMENT DOMAINS

1 Primary Research Focus Areas:

- Predictive Maintenance AI Algorithms

- Machine Learning Diagnostic Frameworks

- Industrial Automation Intelligence Systems

2 Technological Uncertainty Criteria:

Each research initiative demonstrates substantial technological uncertainty by:

- Addressing complex computational challenges

- Developing novel algorithmic approaches

- Exploring unresolved technological limitations

5. DOCUMENTATION AND RECORD RETENTION

1 The Company maintains comprehensive documentation supporting these research expenditures, including:

- Detailed project logs

- Personnel time allocation records

- Technical design documentation

- Computational resource utilization reports

2 All supporting documentation shall be retained for a minimum of seven (7) years from the date of tax filing, in compliance with IRS regulations.

6. COMPLIANCE ATTESTATION

1 The undersigned hereby certifies that:

- All reported research expenditures meet Section 174 qualification criteria
- Documentation represents a true and accurate representation of the Company's research activities
- All financial figures have been prepared in good faith and with professional diligence

7. LIMITATIONS AND DISCLAIMERS

1 This document is prepared solely for tax reporting and internal documentation purposes.

2 The Company reserves the right to modify research expenditure classifications upon further review or regulatory guidance.

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.