

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

Expense Category	FY 2022 (\$)	FY 2023 (\$)
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Personnel Costs	2,350,000	3,125,000
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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

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.

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Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.