

# **R&D Tax Credit Supporting Documentation and Calculations**

## **1. PRELIMINARY STATEMENT**

This document (the "R&D Tax Credit Documentation") is prepared by Nexus Intelligent Systems, Inc. (the "Company") to substantiate and support the Company's Research and Development (R&D) Tax Credit calculations for fiscal years 2022 and 2023, in accordance with Internal Revenue Code Section 41 and applicable Treasury Regulations.

## **2. QUALIFIED RESEARCH EXPENDITURE (QRE) OVERVIEW**

### **2.1 Qualifying Research Activities**

The Company's R&D activities primarily encompass:

- a) Development of advanced predictive maintenance AI algorithms
- b) Machine learning diagnostic tool enhancement
- c) Enterprise digital transformation technology research
- d) Artificial intelligence platform innovation

### **2.2 Qualified Research Expenditure Categories**

The following expenditure categories have been analyzed for R&D tax credit qualification:

#### **2.2.1 Wages**

- Direct research personnel compensation
- Supervisory and technical staff supporting research initiatives
- Prorated allocation of research-related management compensation

#### **2.2.2 Supplies**

- Technology hardware used exclusively in research
- Software licenses for development environments
- Specialized research and testing equipment

#### **2.2.3 Contract Research**

- External consultant fees for specialized AI research
- Third-party technology development agreements
- Collaborative research program expenditures

### **3. QUANTITATIVE ANALYSIS**

#### **3.1 Fiscal Year 2022 R&D Expenditure Summary**

- Total Qualified Research Expenditures: \$2,375,000
- Qualified Wages: \$1,850,000
- Qualified Supplies: \$275,000
- Contract Research Expenses: \$250,000

#### **3.2 Fiscal Year 2023 R&D Expenditure Summary**

- Total Qualified Research Expenditures: \$3,125,000
- Qualified Wages: \$2,450,000
- Qualified Supplies: \$375,000
- Contract Research Expenses: \$300,000

### **4. METHODOLOGY AND CALCULATION APPROACH**

#### **4.1 Calculation Methodology**

The Company has utilized the following methodological approach:

- Four-Part Test Compliance Verification
- Substantial Advancement Standard Assessment
- Technological in Nature Qualification Criteria
- Elimination of Routine/Cosmetic Development Activities

#### **4.2 Computational Methodology**

R&D Tax Credit calculations were performed using:

- Contemporaneous documentation tracking
- Detailed time allocation studies
- Project-specific expense segregation
- Conservative qualification standards

### **5. SUPPORTING DOCUMENTATION**

#### **5.1 Documentation Retention**

The following supporting documentation is maintained:

- Detailed employee time tracking records
- Project specification documents
- Technical design documentation
- Research milestone reports
- Financial expense allocation worksheets

## **5.2 Documentation Availability**

Complete supporting documentation is available for IRS review upon request and will be maintained for a minimum of seven (7) years from the date of filing.

## **6. LEGAL DISCLAIMERS**

### **6.1 Representation and Warranty**

The Company represents that all information contained herein is true, accurate, and prepared in good faith, reflecting a reasonable interpretation of applicable tax regulations.

### **6.2 Professional Consultation**

This documentation has been prepared in consultation with independent tax professionals specializing in R&D tax credit compliance.

## **7. EXECUTION**

Executed this 22nd day of January, 2024.

### **Authorized Signatures**

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.