

Technology Development Expense Tracking Disclosure and Verification Document

1. PRELIMINARY STATEMENT

This Technology Development Expense Tracking Disclosure ("Document") is executed by Nexus Intelligent Systems, Inc., a Delaware corporation (hereinafter "Company"), as of January 22, 2024, for the purpose of providing comprehensive financial documentation related to research and development expenditures.

2. DEFINITIONS

1 "Technology Development Expenses" shall mean all direct and indirect costs associated with the conceptualization, design, prototype development, testing, and implementation of proprietary technological solutions.

2 "Qualifying Expenses" include:

- a) Personnel compensation directly attributable to R&D activities
- b) Software and hardware development costs
- c) Third-party consulting and technical service fees
- d) Prototype and testing equipment procurement
- e) Intellectual property development and protection expenses

3. EXPENSE CATEGORIZATION

1 Research Phase Expenses

- Preliminary concept exploration
- Initial feasibility studies
- Theoretical research and modeling

2 Development Phase Expenses

- Prototype design and engineering
- Technical implementation
- Performance testing and validation

3 Capitalization Methodology

The Company utilizes a standardized capitalization approach consistent with GAAP guidelines, recognizing development expenses that meet specific technological and economic feasibility criteria.

4. FINANCIAL TRACKING PROTOCOLS

1 Expense Documentation

All technology development expenses shall be:

- Contemporaneously recorded
- Supported by verifiable documentation
- Allocated to specific project identifiers
- Subject to quarterly internal audit review

2 Expense Allocation Principles

- Direct labor costs tracked via timesheet allocation
- Material costs assigned to specific development initiatives
- Overhead costs prorated based on documented research activity

5. FINANCIAL SUMMARY (FISCAL YEAR 2023)

1 Total Technology Development Expenses: \$3,742,650

- Personnel Costs: \$2,186,400 (58.4%)
- Equipment and Materials: \$612,300 (16.4%)
- External Consulting: \$544,750 (14.6%)
- Intellectual Property Costs: \$399,200 (10.6%)

2 Project Distribution

- AI Predictive Maintenance Platform: 42% of expenses
- Machine Learning Diagnostic Tools: 33% of expenses
- Enterprise Transformation Frameworks: 25% of expenses

6. COMPLIANCE AND VERIFICATION

1 The undersigned certifies that:

- All reported expenses are accurate and complete

- Expenses comply with applicable accounting standards
- Documentation supporting these expenses is available for review
- No material misrepresentations are contained herein

7. LIMITATIONS AND DISCLAIMERS

1 This document represents a good-faith disclosure of technology development expenses and is subject to potential future audit and verification.

2 The Company reserves the right to modify expense tracking methodologies consistent with evolving accounting standards and business requirements.

8. EXECUTION

Executed this 22nd day of January, 2024.

Authorized Signatories:

Dr. Elena Rodriguez
Chief Executive Officer
Nexus Intelligent Systems, Inc.

Michael Chen
Chief Technology Officer
Nexus Intelligent Systems, Inc.

9. CONFIDENTIALITY NOTICE

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