

# **Research Credit Qualification Narrative**

## **1. INTRODUCTION AND PURPOSE**

This Research Credit Qualification Narrative ("Narrative") is prepared by Nexus Intelligent Systems, Inc. (the "Company") to substantiate and document the Company's qualification for federal and state research and development (R&D) tax credits for fiscal years 2022 and 2023.

### **1.1 Organizational Context**

Nexus Intelligent Systems, Inc. is a Delaware-incorporated enterprise AI services company specializing in advanced predictive analytics and intelligent automation technologies. Founded in 2018, the Company has consistently invested significant resources in technological innovation and research activities qualifying for federal and state research tax credits.

## **2. QUALIFIED RESEARCH EXPENDITURE OVERVIEW**

### **2.1 Qualified Research Activities**

The Company's qualified research activities primarily encompass:

- a) Development of machine learning diagnostic tools
- b) Advanced predictive maintenance platform engineering
- c) AI algorithm refinement and optimization
- d) Enterprise digital transformation technology research

### **2.2 Expenditure Categories**

Qualified research expenditures include:

- Wages for qualified research personnel
- Contract research expenses
- Supplies and materials directly utilized in research processes
- Computer usage and cloud computing resources dedicated to R&D

## **3. TECHNICAL QUALIFICATION ASSESSMENT**

### **3.1 Technological Uncertainty**

The Company's research activities systematically address technological uncertainties through:

- Developing novel machine learning algorithms

- Creating predictive models with unprecedented accuracy
- Resolving complex computational challenges in enterprise AI implementation

### **3.2 Systematic Investigation**

Research processes demonstrate:

- Documented experimental protocols
- Rigorous hypothesis testing
- Structured technological development methodologies
- Comprehensive documentation of research progression

## **4. FINANCIAL DOCUMENTATION**

### **4.1 Research Expenditure Summary**

Fiscal Year 2022 Qualified Research Expenses:

- Total Qualified Wages: \$2,340,000
- Contract Research Costs: \$487,500
- Materials and Supplies: \$156,250
- Total Qualified Expenditures: \$2,983,750

Fiscal Year 2023 Qualified Research Expenses:

- Total Qualified Wages: \$2,785,000
- Contract Research Costs: \$612,000
- Materials and Supplies: \$203,750
- Total Qualified Expenditures: \$3,600,750

## **5. COMPLIANCE AND SUBSTANTIATION**

### **5.1 Documentation Maintenance**

The Company maintains comprehensive documentation supporting research credit qualifications, including:

- Detailed time tracking for research personnel
- Project specification documents
- Technical design records
- Experimental outcome reports

- Financial expenditure documentation

## **5.2 Compliance Attestation**

The undersigned hereby certifies that:

- All statements are true and accurate
- Research activities meet Internal Revenue Code Section 41 requirements
- Documentation substantiating these claims is maintained and available for review

## **6. LEGAL DISCLAIMERS**

### **6.1 Limitation of Liability**

This Narrative represents management's best assessment of research credit qualifications. The Company does not guarantee absolute compliance and recommends independent verification by qualified tax professionals.

### **6.2 Forward-Looking Statements**

Certain statements herein may constitute forward-looking statements subject to inherent uncertainties in research and development accounting methodologies.

## **7. EXECUTION**

Executed this 22nd day of January, 2024.

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Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

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Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.