

IRC SECTION 174 R&D DOCUMENTATION

IRC SECTION 174 RESEARCH & DEVELOPMENT

NaviFloor Robotics, Inc.

Effective Date: January 1, 2023

1. PURPOSE AND SCOPE

-

1. This documentation establishes NaviFloor Robotics, Inc.'s ("Company") c

-

2. This document covers all qualifying research and development activities r

2. QUALIFIED RESEARCH ACTIVITIES

-

1. **Primary R&D Programs**

The Company conducts the following research and development activities that qualify under IRC Section 174:

- a) Development of proprietary LiDAR-based terrain mapping algorithms
- b) Advanced depth-sensing technology adaptation from marine applications
- c) Multi-surface navigation system optimization
- d) Fleet management software architecture development
- e) Sensor fusion and real-time environmental modeling
- f) Machine learning implementations for path optimization

- - 2 -

2. ****Development Phases****

Each R&D program follows documented development phases:

-

Conceptual Research (Phase I)

-

Algorithm Development (Phase II)

-

Prototype Implementation (Phase III)

-

Testing and Validation (Phase IV)

-

Production Integration (Phase V)

3. EXPENDITURE CLASSIFICATION AND CAPITAL

-

1. **Qualified Research Expenses**

The following expenses are classified as Section 174 research or experimental expenditures:

- a) Direct labor costs for engineering and development staff
- b) Materials and supplies used in R&D activities
- c) Contract research expenses with qualified research partners
- d) Equipment depreciation allocated to R&D activities
- e) Patent development costs
- f) Third-party testing and validation services

- - 4 -

2. ****Capitalization Requirements****

Pursuant to IRC Section 174 amendments under the Tax Cuts and Jobs Act:

- a) All domestic research expenses are capitalized and amortized over 5 years
- b) Foreign research expenses are capitalized and amortized over 15 years
- c) Amortization begins at the midpoint of the taxable year in which expenses incurred

4. DOCUMENTATION AND RECORD KEEPING

-

1. ****Required Documentation****

The Company maintains the following documentation for each R&D project

- a) Project charter and technical specifications
- b) Contemporaneous research activity logs
- c) Employee time tracking records
- d) Material and supply purchase records
- e) Contract research agreements
- f) Test results and validation reports
- g) Patent applications and related documentation

-

2. ****Retention Period****

All Section 174 documentation is retained for a minimum of seven (7) years or the later of:

-

The date of filing the tax return claiming the R&D expenditure

- - 6 -

The final disposition of any patent applications

-

The conclusion of the amortization period

5. PROJECT-SPECIFIC CLASSIFICATIONS

-

1. **Current Qualified Projects**

The following active projects qualify for Section 174 treatment:

a) Project Atlas: Advanced terrain-mapping algorithm development

-

Start Date: March 1, 2023

-

Annual Budget: \$4,200,000

-

Classification: Domestic Research

b) Project Neptune: Marine-derived sensing technology adaptation

-

Start Date: June 15, 2023

-

Annual Budget: \$3,800,000

-

Classification: Domestic Research

c) Project Quantum: Fleet optimization AI development

-

Start Date: September 1, 2023

- - 8 -

Annual Budget: \$2,900,000

-

Classification: Hybrid Domestic/Foreign Research

6. CERTIFICATION AND COMPLIANCE

-

1. The Company's Chief Financial Officer and Tax Director shall review and

-

2. Independent verification of Section 174 classification and documentation s

7. UPDATES AND AMENDMENTS

-

1. This documentation shall be reviewed and updated annually or upon mater

-

IRC Section 174 regulations

-

Company R&D activities

-

Internal documentation procedures

EXECUTION

IN WITNESS WHEREOF, this documentation has been executed by the duly
representatives of NaviFloor Robotics, Inc.

NAVIFLOOR ROBOTICS, INC.

By: _

James Wilson

Chief Financial Officer

Date: January 1, 2023

By: _

Dr. Elena Kovacs

Chief Research Officer

Date: January 1, 2023

