

R&D Tax Credit Qualification Documentation - Research Expenditures

1. PRELIMINARY STATEMENT

This R&D Tax Credit Qualification Documentation ("Document") is prepared by Nexus Intelligent Systems, Inc., a Delaware corporation (hereinafter "Company"), to substantiate qualified research expenditures for federal and state tax credit purposes pursuant to Internal Revenue Code Section 41 and related regulatory provisions.

2. DEFINITIONS

1 "Qualified Research Expenditures" (QREs) shall mean direct and indirect research and development costs meeting the following criteria:

- a) Technological in nature
- b) Intended to eliminate uncertainty
- c) Involving a process of experimentation
- d) Related to development of new or improved business component

2 "Research Period" shall refer to the fiscal year ending December 31, 2023.

3. QUALIFIED RESEARCH ACTIVITIES

The Company conducted substantial research activities during the Research Period focused on the following primary technological domains:

1 Predictive Maintenance AI Platform Development

- Machine learning algorithm refinement
- Sensor data interpretation models
- Anomaly detection system enhancements

2 Enterprise Digital Transformation Technologies

- Intelligent automation framework design
- Advanced diagnostic tool development
- Scalable machine learning infrastructure

4. EXPENDITURE CLASSIFICATION

1 Qualified Personnel Costs

- Total Qualified Wages: \$2,347,500
- Research Engineers: \$1,425,000
- Data Scientists: \$622,500
- Technical Project Managers: \$300,000

2 Contract Research Expenses

- External Research Partnerships: \$375,000
- University Collaboration Programs: \$187,500
- Third-Party Technical Consulting: \$225,000

3 Supplies and Materials

- Research Computing Infrastructure: \$412,500
- Prototype Development Materials: \$156,250
- Software Licensing and Development Tools: \$187,500

5. DOCUMENTATION METHODOLOGY

1 The Company maintains comprehensive documentation supporting QRE calculations, including:

- Detailed time tracking records
- Project documentation demonstrating technological uncertainty
- Experimental process documentation
- Financial records substantiating expenditures

2 Documentation Retention

- All supporting documents retained for minimum seven (7) years
- Maintained in secure, organized digital and physical archives
- Accessible for potential IRS examination

6. COMPLIANCE ATTESTATION

1 The undersigned hereby certifies that:

- All information presented is true and accurate
- Research activities meet statutory QRE requirements

- Expenditures have been independently verified
- Documentation complies with applicable tax regulations

7. LIMITATIONS AND DISCLAIMERS

1 This document represents management's best interpretation of qualified research expenditures based on available information and professional judgment.

2 The Company reserves the right to modify or supplement this documentation as additional information becomes available.

3 This documentation does not constitute a definitive tax determination and is subject to review by appropriate tax authorities.

8. 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.

Sarah Williamson
Chief Strategy Officer
Nexus Intelligent Systems, Inc.