

Shareholder Basis and Distribution Records

Confidential Document - Nexus Intelligent Systems, Inc.

PRELIMINARY STATEMENT

This Shareholder Basis and Distribution Records document (the "Document") is prepared as of January 22, 2024, by Nexus Intelligent Systems, Inc., a Delaware corporation (the "Company"), to provide a comprehensive record of shareholder equity positions, tax basis calculations, and historical distributions.

1. DEFINITIONS

- 1 "Common Stock" shall mean the authorized common shares of Nexus Intelligent Systems, Inc., par value \$0.0001 per share.
- 2 "Preferred Stock" shall mean the Series A and Series B preferred shares issued by the Company.
- 3 "Initial Capitalization" refers to the original equity structure established at the Company's incorporation on March 15, 2018.

2. SHAREHOLDER EQUITY SUMMARY

1 Total Authorized Shares

- Common Stock: 10,000,000 shares
- Preferred Stock: 5,000,000 shares

2 Current Equity Breakdown

- Issued Common Shares: 6,750,000
- Issued Preferred Shares: 3,250,000
- Unissued Shares: 5,000,000

3. SHAREHOLDER BASIS CALCULATIONS

1 Founder Equity Positions

- Dr. Elena Rodriguez: 2,250,000 shares (33.33% ownership)
- Initial Investment: \$450,000
- Tax Basis per Share: \$0.20

- Total Tax Basis: \$450,000
- Michael Chen: 1,500,000 shares (22.22% ownership)
- Initial Investment: \$300,000
- Tax Basis per Share: \$0.20
- Total Tax Basis: \$300,000

2 Venture Capital Investor Positions

- Horizon Ventures (Series A Lead Investor)
- Total Shares: 1,750,000
- Investment Amount: \$3,500,000
- Liquidation Preference: 1x
- Quantum Capital Partners (Series B Lead Investor)
- Total Shares: 1,500,000
- Investment Amount: \$6,000,000
- Liquidation Preference: 1x

4. DISTRIBUTION HISTORY

1 Historical Cash Distributions

- No cash distributions have been made to date
- Reinvestment of all earnings into company growth and development

2 Equity-Based Compensation

- Employee Stock Option Pool: 750,000 shares (11.11% of total equity)
- Granted Options: 425,000
- Unvested Options: 325,000

5. TAX REPORTING CONSIDERATIONS

1 Section 409A Compliance

- All equity grants have been valued at fair market value
- Independent 409A valuation conducted annually
- Most Recent Valuation Date: December 15, 2023
- Valuation Price per Common Share: \$2.15

2 Potential Tax Implications

- Shareholders advised to consult individual tax professionals
- Potential capital gains tax upon liquidity event
- Potential ordinary income recognition for certain equity compensation

6. LIMITATIONS AND DISCLAIMERS

1 This document is provided for informational purposes only and does not constitute legal or tax advice.

2 All figures are subject to annual review and potential adjustment.

3 Shareholders are strongly encouraged to verify individual positions and consult independent financial advisors.

7. CERTIFICATION

The undersigned hereby certifies that the information contained herein is true and accurate to the best of their knowledge as of the date first written above.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024