

State Nexus and Apportionment Calculation

Confidential Document

Prepared for: Nexus Intelligent Systems, Inc.

Date of Preparation: January 22, 2024

Internal Reference: NIS-TAX-2024-001

1. Purpose and Scope

1 This State Nexus and Apportionment Calculation document ("Document") provides a comprehensive analysis of Nexus Intelligent Systems, Inc.'s ("Company") state tax nexus and revenue apportionment methodology for fiscal year 2023.

2 The document is prepared in accordance with applicable state tax regulations and represents a detailed assessment of the Company's multi-state tax compliance strategy.

2. Definitions

1 "Nexus" shall mean the sufficient physical or economic presence in a state that creates a tax filing obligation.

2 "Apportionment" refers to the method of allocating corporate income among multiple states for tax reporting purposes.

3 "Revenue Factor" means the proportion of total company revenue generated within specific state jurisdictions.

3. State Nexus Analysis

3.1 Physical Presence Nexus

The Company maintains nexus in the following states through direct business activities:

- Delaware (State of Incorporation)
- California (Primary Corporate Headquarters)
- Texas (Regional Operations Center)
- New York (Sales and Marketing Office)

3.2 Economic Nexus Determination

Economic nexus is established based on the following criteria:

- Annual revenue exceeding state-specific thresholds
- Significant digital service transactions
- Consistent business interactions within state boundaries

4. Revenue Apportionment Methodology

4.1 Apportionment Factors

The Company utilizes a three-factor apportionment formula:

- Property Factor: 25%
- Payroll Factor: 25%
- Revenue Factor: 50%

4.2 Revenue Factor Calculation

Total Company Revenue: \$12,500,000

State-Specific Revenue Breakdown:

- California: \$5,625,000 (45%)
- Texas: \$3,125,000 (25%)
- New York: \$2,500,000 (20%)
- Other States: \$1,250,000 (10%)

5. Tax Compliance Strategy

1 The Company maintains a proactive approach to state tax compliance, including:

- Annual nexus studies
- Comprehensive documentation of business activities
- Timely filing of multi-state tax returns
- Ongoing monitoring of state tax law changes

2 Professional tax advisors are engaged to ensure accurate and compliant reporting.

6. Limitations and Disclaimers

1 This document represents management's best interpretation of current tax regulations and is subject to review by tax authorities.

2 The calculations and methodologies herein are based on information available as of January 22, 2024.

3 The Company reserves the right to adjust calculations based on subsequent regulatory guidance or changes in business operations.

7. Certification

We certify that the information contained in this State Nexus and Apportionment Calculation document is true, accurate, and complete to the best of our knowledge.

Authorized Signatures

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

Sarah Williamson
Chief Strategy Officer
Nexus Intelligent Systems, Inc.

Date: January 22, 2024

8. Confidentiality Notice

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