

Shareholder Basis Tracking Report

Nexus Intelligent Systems, Inc.

Confidential Tax Documentation

1. INTRODUCTION

1 Purpose of Report

This Shareholder Basis Tracking Report ("Report") provides a comprehensive analysis of shareholder equity basis for Nexus Intelligent Systems, Inc. (the "Company"), as of December 31, 2023, in accordance with applicable federal and state tax regulations.

2 Scope of Analysis

The Report encompasses a detailed review of:

- Original shareholder contributions
- Cumulative capital investments
- Tax basis adjustments
- Equity ownership modifications
- Potential tax implications for shareholders

2. SHAREHOLDER CLASSIFICATION

1 Equity Structure

The Company's current equity structure comprises:

- Preferred Series A: 2,500,000 shares
- Preferred Series B: 3,750,000 shares
- Common Stock: 5,250,000 shares

2 Shareholder Categories

a) Institutional Investors

- Sequoia Capital: 28.5% ownership
- Andreessen Horowitz: 22.3% ownership

b) Founder Shareholders

- Dr. Elena Rodriguez: 15.7% ownership

- Michael Chen: 12.4% ownership

c) Employee Equity Pool

- Restricted Stock Units: 8.9% of total equity

3. BASIS TRACKING METHODOLOGY

1 Calculation Principles

Shareholder basis calculations adhere to:

- Internal Revenue Code Section 1202
- GAAP accounting standards
- Delaware corporate governance regulations

2 Tracking Mechanisms

- Capital account reconciliation
- Quarterly investment tracking
- Annual tax basis adjustment protocol

4. DETAILED BASIS ANALYSIS

1 Original Capital Contributions

Investor Category	Total Contributions	Percentage
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Venture Capital	\$8,750,000	62.5%
Founders	\$3,250,000	23.2%
Employee Equity	\$1,250,000	8.9%
Other Investors	\$825,000	5.4%

2 Basis Adjustment Summary

- Cumulative Capital Increases: \$12,500,000
- Net Operating Loss Carryforwards: \$1,750,000
- Research & Development Credits: \$625,000

5. TAX CONSIDERATIONS

1 Potential Tax Implications

- Qualified Small Business Stock (QSBS) eligibility
- Section 1045 rollover provisions
- Potential capital gains treatment

2 Risk Mitigation Strategies

- Comprehensive documentation
- Regular basis reconciliation
- Independent tax advisory engagement

6. LIMITATIONS AND DISCLAIMERS

1 Report Limitations

This Report represents a point-in-time analysis and is subject to:

- Ongoing corporate transactions
- Market volatility
- Potential regulatory changes

2 Professional Disclaimer

This document is prepared for informational purposes only and should not be considered definitive tax advice. Shareholders are strongly encouraged to consult independent tax professionals.

7. CERTIFICATION

1 Authorized Representation

This Shareholder Basis Tracking Report has been prepared by the Company's financial management team and reviewed by external tax advisors.

2 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. APPENDICES

1 Supporting Documentation

- Capitalization table
- Investor subscription agreements
- Historical financial statements

9. CONFIDENTIALITY

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