

Sales and Use Tax Compliance Documentation

Confidential Legal Document

Nexus Intelligent Systems, Inc.

1. PRELIMINARY STATEMENTS

1 Purpose of Documentation

This Sales and Use Tax Compliance Documentation ("Document") is prepared by Nexus Intelligent Systems, Inc. ("Company") to provide a comprehensive overview of the Company's sales and use tax compliance practices, historical tax positions, and current tax risk management strategies.

2 Scope of Review

This document encompasses a detailed examination of the Company's sales and use tax compliance from fiscal years 2020 through 2023, including:

- Jurisdictional tax reporting
- Nexus determination methodologies
- Tax collection and remittance practices
- Internal control frameworks
- Historical tax assessments and audit experiences

2. TAX JURISDICTION ANALYSIS

1 Primary Operating Jurisdictions

The Company maintains active sales and use tax registrations in the following primary jurisdictions:

- Delaware (Primary State of Incorporation)
- California
- New York
- Texas
- Illinois

2 Nexus Determination

The Company has systematically evaluated its economic nexus across jurisdictions, considering:

- Physical presence
- Economic thresholds

- Service delivery locations
- Digital service transaction volumes

3 Compliance Methodology

Nexus Intelligent Systems employs a multi-tiered compliance approach:

- a) Automated tax determination systems
- b) Quarterly internal tax compliance reviews
- c) Annual third-party tax compliance audits
- d) Comprehensive documentation maintenance

3. TAX COLLECTION PRACTICES

1 Revenue Classification

The Company classifies revenue streams for tax purposes as follows:

- Enterprise AI Services: Predominantly service-based revenue
- Software Licensing: Digital product transactions
- Consulting Engagements: Professional service revenues
- Training and Implementation: Bundled service offerings

2 Tax Rate Application

Tax rates are determined through:

- Jurisdiction-specific rate matrices
- Real-time tax calculation software
- Periodic rate verification protocols

3 Exemption Management

The Company maintains a comprehensive exemption certificate management system, including:

- Customer exemption documentation
- Periodic exemption validation processes
- Systematic tracking of exemption status

4. HISTORICAL TAX ASSESSMENT

1 Audit History

- No significant sales or use tax assessments in previous reporting periods

- Zero material tax deficiencies identified
- Consistent compliance with jurisdictional requirements

2 Risk Mitigation Strategies

- Quarterly internal tax compliance reviews
- Annual external tax compliance audits
- Proactive nexus monitoring
- Continuous staff training on tax compliance

5. DOCUMENTATION AND RECORD RETENTION

1 Record Maintenance

The Company maintains comprehensive tax documentation, including:

- Transaction-level tax calculations
- Exemption certificates
- Sales reports
- Jurisdictional filing records

2 Retention Period

All tax-related documentation is retained for a minimum of seven (7) years, consistent with IRS and state regulatory requirements.

6. LEGAL DISCLAIMERS

1 Limitation of Liability

This document represents a good-faith representation of the Company's tax compliance practices. No warranties, express or implied, are provided regarding future tax positions or interpretations.

2 Professional Consultation

Readers are advised to consult independent tax professionals for specific tax guidance.

7. EXECUTION

Executed this 22nd day of January, 2024.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.