

Corporate Tax Position Disclosure Statement

Confidential Document - Nexus Intelligent Systems, Inc.

1. PRELIMINARY STATEMENTS

1 Purpose of Disclosure

This Corporate Tax Position Disclosure Statement ("Statement") provides a comprehensive overview of the tax positions, strategies, and potential contingencies for Nexus Intelligent Systems, Inc. (the "Company"), incorporated in the State of Delaware on March 15, 2018, as part of its ongoing financial transparency and due diligence obligations.

2 Scope of Disclosure

This Statement covers the Company's tax positions for fiscal years 2021-2023, including federal, state, and international tax considerations related to the Company's enterprise AI services and predictive analytics business model.

2. TAX JURISDICTION AND COMPLIANCE

1 Federal Tax Status

The Company is classified as a C-Corporation for federal tax purposes, with tax identification number 87-2394561. All federal tax returns have been timely filed and are current through the most recent reporting period.

2 State Tax Considerations

Nexus Intelligent Systems, Inc. maintains active tax registrations in the following primary jurisdictions:

- Delaware (primary incorporation state)
- California (primary operational headquarters)
- New York (secondary sales and marketing operations)
- Texas (significant client service center)

3 International Tax Positioning

The Company has limited international tax exposure, with minimal cross-border transactions primarily involving:

- Software licensing agreements

- Professional services contracts
- Cloud-based service delivery

3. SIGNIFICANT TAX POSITIONS

1 Research and Development Tax Credits

The Company has consistently claimed R&D tax credits under IRC Section 41, reflecting substantial investments in technological innovation. For the fiscal year 2022, R&D credits totaled \$1,247,000, representing approximately 9.8% of total qualified research expenditures.

2 Stock-Based Compensation

Equity compensation for key personnel, including stock options and restricted stock units, has been structured to optimize tax efficiency while maintaining competitive compensation packages.

3 Revenue Recognition

The Company employs a systematic approach to revenue recognition consistent with ASC 606, ensuring precise tax reporting for complex enterprise service contracts.

4. POTENTIAL TAX CONTINGENCIES

1 Transfer Pricing Analysis

An independent transfer pricing study was conducted in Q4 2022, confirming arm's length pricing for intercompany transactions and minimizing potential international tax risks.

2 Identified Potential Exposures

Potential tax examination risks have been identified in the following areas:

- Capitalization of software development costs
- Classification of independent contractor payments
- Allocation of research and development expenses

5. TAX STRATEGY AND RISK MANAGEMENT

1 Ongoing Compliance Mechanisms

- Quarterly internal tax review processes
- Annual third-party tax compliance audits
- Continuous monitoring of regulatory changes

2 Professional Advisory Relationships

Primary tax advisory services are provided by:

- Ernst & Young LLP (National Tax Practice)
- Wilson, Sonsini, Goodrich & Rosati (Corporate Tax Advisory)

6. LIMITATIONS AND DISCLAIMERS

1 Forward-Looking Statements

This Statement contains forward-looking assessments based on current interpretations of tax regulations. Actual results may differ due to future regulatory changes or administrative interpretations.

2 Professional Judgment

All tax positions represent management's best estimate based on current information and professional tax advisory recommendations.

7. EXECUTION

Executed this 22nd day of January, 2024.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Financial Officer

Nexus Intelligent Systems, Inc.