

Qualified Business Income Deduction Calculation

Confidential Document - Nexus Intelligent Systems, Inc.

1. PRELIMINARY STATEMENT

1 This Qualified Business Income (QBI) Deduction Calculation Document ("Document") has been prepared by Nexus Intelligent Systems, Inc. (the "Company") for the tax year ending December 31, 2023, in accordance with Section 199A of the Internal Revenue Code.

2 The purpose of this document is to provide a comprehensive analysis and substantiation of the Company's calculated Qualified Business Income Deduction for the referenced tax period.

2. DEFINITIONS

1 "Qualified Business Income" shall mean the ordinary income, gain, deduction, and loss derived from the Company's active trade or business operations within the United States, excluding:

- a) Capital gains and losses
- b) Dividend income
- c) Interest income
- d) Income derived from foreign sources
- e) Certain investment-related income

2 "Specified Service Trade or Business" (SSTB) shall refer to the Company's enterprise AI services and predictive analytics operations as defined under IRC 199A(d)(2).

3. INCOME CALCULATION METHODOLOGY

1 Total Gross Receipts

- Enterprise AI Services Revenue: \$10,750,000
- Consulting and Implementation Services: \$1,750,000
- Total Gross Receipts: \$12,500,000

2 Qualified Business Income Computation

- a) Total Ordinary Business Income: \$8,375,000
- b) Less: Ordinary Business Expenses: (\$6,250,000)
- c) Net Qualified Business Income: \$2,125,000

4. DEDUCTION CALCULATION

1 Base Calculation

- 20% of Qualified Business Income: \$425,000

2 Taxable Income Limitation

- Adjusted Taxable Income Threshold: \$364,200
- Applicable Limitation Factor: 0.50
- Maximum Deductible Amount: \$212,500

3 W-2 Wage and Depreciable Property Limitation

- Total W-2 Wages Paid: \$4,375,000
- Qualified Depreciable Property: \$1,250,000
- Limitation Calculation: Lesser of 50% of W-2 wages or 25% of W-2 wages plus 2.5% of unadjusted basis of qualified property

5. FINAL QBI DEDUCTION DETERMINATION

1 Calculated QBI Deduction: \$212,500

2 Effective Deduction Rate: 1.70% of Total Gross Receipts

6. SUPPORTING DOCUMENTATION

1 The following documentation supports this calculation:

- a) Audited Financial Statements
- b) Detailed General Ledger
- c) Payroll Records
- d) Asset Depreciation Schedules

7. LIMITATIONS AND DISCLAIMERS

1 This document represents management's best estimate based on current tax regulations and the Company's financial records.

2 The calculation is subject to review and potential adjustment by independent tax professionals and relevant tax authorities.

3 The Company reserves the right to modify this calculation based on subsequent guidance or

regulatory changes.

8. CERTIFICATION

We certify that the foregoing Qualified Business Income Deduction Calculation has been prepared in good faith and represents a true and accurate representation of the Company's tax position for the referenced period.

9. EXECUTION

Executed this 22nd day of January, 2024.

By:

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Reviewed By:

Michael Chen

Chief Financial Officer

Nexus Intelligent Systems, Inc.