

Net Operating Loss (NOL) Carryforward Documentation

Confidential Tax Analysis Report

Nexus Intelligent Systems, Inc.

1. PRELIMINARY STATEMENT

1 This Net Operating Loss (NOL) Carryforward Documentation ("Document") has been prepared by the tax strategy division of Nexus Intelligent Systems, Inc. ("Company") to provide a comprehensive analysis of the Company's accumulated tax loss carryforwards as of December 31, 2023.

2 The document serves as an official record for potential merger, acquisition, or investment due diligence purposes, detailing the Company's historical tax loss positions and potential future tax benefits.

2. DEFINITIONS

1 "Net Operating Loss" or "NOL" shall mean the excess of allowable tax deductions over taxable income, which can be carried forward to offset future tax liabilities.

2 "Carryforward Period" shall refer to the statutory period during which NOLs can be utilized against future taxable income, as defined by applicable federal and state tax regulations.

3. NOL SUMMARY

1 Cumulative NOL Position

- Total Accumulated NOL: \$4,237,622
- Fiscal Years Generating NOL: 2018-2022
- Projected Utilization Period: 2024-2029

2 NOL Breakdown by Fiscal Year

- 2018: \$872,415 (Initial startup year)
- 2019: \$1,243,677 (Research and development investments)
- 2020: \$1,521,330 (COVID-19 pandemic impact)
- 2021: \$387,200 (Transitional growth phase)
- 2022: \$213,000 (Continued strategic investments)

4. REGULATORY COMPLIANCE

1 The Company's NOL carryforwards have been calculated in strict adherence to:

- Internal Revenue Code Section 172
- Financial Accounting Standards Board (FASB) guidelines
- Delaware state tax regulations

2 Independent tax verification has been conducted by Ernst & Young LLP, confirming the accuracy of NOL calculations and compliance with applicable tax statutes.

5. LIMITATIONS AND RESTRICTIONS

1 Potential Limitations on NOL Utilization

- Subject to annual limitation under Section 382 of the Internal Revenue Code
- Potential reduction in carryforward value in event of ownership change
- Requires maintenance of consistent corporate structure

2 Expiration Considerations

- Federal NOL carryforwards do not expire under current tax law
- Potential state-level restrictions may apply

6. TAX STRATEGY IMPLICATIONS

1 Projected Tax Benefits

- Estimated potential tax savings: \$1,127,400
- Potential reduction in future tax liabilities
- Strategic asset for future financial planning

2 Recommended Utilization Strategy

- Gradual application against future taxable income
- Potential optimization through strategic corporate restructuring
- Continuous monitoring of tax regulation changes

7. DISCLAIMER

1 This document represents a good faith representation of the Company's NOL position as of the date of preparation. Actual utilization may vary based on future financial performance, regulatory changes, and corporate strategic decisions.

2 The information contained herein is confidential and intended solely for authorized review in the context of potential corporate transactions or tax planning.

8. CERTIFICATION

1 Prepared By: Michael Chen, Chief Financial Officer

2 Date of Preparation: January 22, 2024

3 Authorized Signature: [Digital Signature Placeholder]

9. ATTACHMENTS

1 Detailed NOL Calculation Worksheets

2 Independent Verification Report

3 Historical Financial Statements Supporting NOL Calculations

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