

Tax Accounting Method Change Request

CONFIDENTIAL DOCUMENT

Nexus Intelligent Systems, Inc.

Delaware Corporation

PRELIMINARY STATEMENT

THIS TAX ACCOUNTING METHOD CHANGE REQUEST (the "Request") is executed this 22nd day of January, 2024, by Nexus Intelligent Systems, Inc., a Delaware corporation with principal offices located at 1200 Technology Park Drive, Austin, Texas 78758 (the "Company").

1. PURPOSE OF REQUEST

1 The Company hereby submits this formal request to the Internal Revenue Service (IRS) for a comprehensive change in accounting method pursuant to Internal Revenue Code Section 446 and related Treasury Regulations.

2 This Request specifically addresses the Company's intent to transition from the cash basis to the accrual basis of accounting for federal income tax reporting purposes, effective for the fiscal year ending December 31, 2024.

2. BACKGROUND AND JUSTIFICATION

1 Corporate Profile

- Legal Entity: Nexus Intelligent Systems, Inc.
- Tax Identification Number: XX-XXXXXXX
- Primary Business Activity: Enterprise AI Services & Predictive Analytics
- Current Accounting Method: Cash Basis
- Proposed Accounting Method: Accrual Basis

2 Rationale for Method Change

The proposed accounting method change is necessitated by:

- a) Increasing complexity of revenue recognition in enterprise software and services
- b) Alignment with Generally Accepted Accounting Principles (GAAP)
- c) Enhanced financial reporting transparency for investors and stakeholders

- d) More accurate representation of the Company's financial performance

3. DETAILED ACCOUNTING METHOD SPECIFICATIONS

1 Accrual Basis Methodology

The proposed accrual basis accounting method shall:

- Recognize revenue when earned, regardless of cash receipt
- Record expenses when incurred, not when paid
- Implement consistent revenue recognition protocols for long-term enterprise contracts
- Maintain comprehensive documentation of all financial transactions

2 Transitional Adjustments

The Company will:

- Prepare a comprehensive Section 481(a) adjustment calculation
- Develop pro forma financial statements reflecting the accounting method change
- Ensure full compliance with IRS Revenue Procedure 2015-13

4. FINANCIAL IMPACT ANALYSIS

1 Projected Financial Implications

- Estimated Section 481(a) Adjustment: Approximately \$275,000
- Anticipated Tax Year Impact: Minimal net effect on total tax liability
- Reporting Period: Full adjustment to be recognized over a four-year period

2 Supporting Documentation

The Company will maintain the following supporting documentation:

- Detailed reconciliation schedules
- Comparative financial statements
- Independent third-party verification of accounting method transition

5. REPRESENTATIONS AND WARRANTIES

1 The Company hereby represents that:

- All information provided is true, complete, and accurate
- The proposed accounting method change serves legitimate business purposes
- The transition complies with all applicable tax regulations

2 The Company acknowledges that:

- This Request is subject to IRS review and potential modification
- False or misleading statements may result in penalties

6. AUTHORIZATION

1 This Request is authorized by the Company's Board of Directors, as evidenced by the following signatures:

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.

7. SIGNATURE AND EXECUTION

Executed this 22nd day of January, 2024.

8. CONFIDENTIALITY NOTICE

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