

# **Net Operating Loss (NOL) Carryforward Calculation and Tax Analysis**

## **Confidential Document**

**Prepared for: Potential Merger & Acquisition Due Diligence**

**Prepared by: Corporate Tax Strategy Department**

**Date of Preparation: January 22, 2024**

## **1. EXECUTIVE SUMMARY**

This document provides a comprehensive analysis of the Net Operating Loss (NOL) Carryforward position for Nexus Intelligent Systems, Inc. ("the Company"), detailing historical tax loss positions, potential future tax asset utilization, and critical considerations for potential merger or acquisition scenarios.

## **2. COMPANY BACKGROUND**

### **1 Corporate Information**

- Legal Entity: Nexus Intelligent Systems, Inc.
- State of Incorporation: Delaware
- Federal Employer Identification Number: 87-2349561
- Fiscal Year End: December 31
- Primary Business: Enterprise AI Services & Predictive Analytics

### **2 Tax Loss Profile**

The Company has generated cumulative net operating losses since its incorporation on March 15, 2018, primarily attributable to significant research and development investments and strategic growth initiatives in the enterprise AI sector.

## **3. NET OPERATING LOSS CALCULATION**

### **1 Cumulative NOL Summary**

- Total Accumulated NOLs: \$14,237,892
- Earliest NOL Year: 2018
- Most Recent NOL Year: 2023
- Projected NOL Carryforward Expiration: Various years between 2038-2043

## 2 Annual NOL Breakdown

| Fiscal Year | NOL Amount | Carryforward Expiration |

|-----|-----|-----|

| 2018 | \$1,342,567 | 2038 |

| 2019 | \$2,876,213 | 2039 |

| 2020 | \$3,654,982 | 2040 |

| 2021 | \$2,987,445 | 2041 |

| 2022 | \$1,876,345 | 2042 |

| 2023 | \$1,500,340 | 2043 |

## 4. TAX ATTRIBUTE LIMITATIONS

### 1 Section 382 Considerations

Potential ownership changes may trigger Section 382 limitations on NOL utilization. Any merger or acquisition transaction must carefully evaluate potential restrictions on tax asset monetization.

### 2 Limitation Calculation Methodology

- Annual NOL Utilization Cap: Based on Long-Term Tax-Exempt Rate
- Base Limitation Amount: Calculated per IRC Section 382 guidelines
- Potential Annual Limitation: Approximately \$750,000 per year

## 5. MATERIAL QUALIFICATIONS

### 1 Assumptions and Limitations

- This analysis assumes consistent historical tax reporting practices
- Calculations subject to IRS audit and potential adjustments
- Professional tax advisor review recommended for final determination

### 2 Disclaimer

This document represents a good-faith estimate of the Company's NOL position. Actual tax attributes may vary based on future financial performance and potential corporate transactions.

## 6. CERTIFICATION

The undersigned certifies that the information contained herein has been prepared with reasonable

care and represents the best available information as of the preparation date.

—

Michael Chen

Chief Financial Officer

Nexus Intelligent Systems, Inc.

## **7. CONFIDENTIALITY NOTICE**

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