

Tax Basis Balance Sheet and Reconciliation

Confidential Document

Prepared in Connection with Potential Transaction

Nexus Intelligent Systems, Inc.

As of December 31, 2023

1. INTRODUCTION AND PURPOSE

1 This Tax Basis Balance Sheet and Reconciliation ("Document") has been prepared by Nexus Intelligent Systems, Inc. (the "Company") to provide a comprehensive analysis of the company's tax basis financial position as of December 31, 2023.

2 The document is intended to support potential transaction due diligence and provide a detailed reconciliation between financial statement reporting and tax basis accounting methodologies.

2. DEFINITIONS AND INTERPRETATIVE PROVISIONS

1 "Tax Basis" shall mean the value of assets and liabilities as determined for federal income tax reporting purposes, which may differ from Generally Accepted Accounting Principles (GAAP) financial reporting.

2 All monetary values are expressed in United States Dollars (USD) and have been derived from the Company's internal financial records and tax documentation.

3. TAX BASIS BALANCE SHEET SUMMARY

3.1 Assets

Asset Category	GAAP Basis	Tax Basis	Difference
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Intangible Assets	\$4,750,000	\$3,250,000	(\$1,500,000)
Property & Equipment	\$2,350,000	\$1,975,000	(\$375,000)
Intellectual Property	\$3,600,000	\$2,850,000	(\$750,000)
Total Fixed Assets	\$10,700,000	\$8,075,000	(\$2,625,000)

3.2 Liabilities

Liability Category	GAAP Basis	Tax Basis	Difference
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Long-Term Debt	\$3,250,000	\$3,250,000	\$0
Deferred Tax Liabilities	\$1,475,000	N/A	N/A
Total Liabilities	\$4,725,000	\$3,250,000	(\$1,475,000)

4. RECONCILIATION METHODOLOGY

1 Reconciliation Approach

The tax basis balance sheet has been prepared using the following methodological principles:

- Historical cost basis for asset valuation
- Accelerated depreciation methods for qualifying assets
- Capitalization of research and development expenditures
- Compliance with Internal Revenue Code Section 174

2 Key Reconciliation Adjustments

Primary differences between GAAP and tax basis reporting include:

- Accelerated depreciation for tax purposes
- Capitalization and amortization of intangible assets
- Research and development credit treatments

5. SIGNIFICANT TAX POSITIONS

1 The Company has maintained consistent tax reporting positions across the following critical areas:

- R&D Tax Credit Utilization
- Stock-Based Compensation Treatment
- Capitalized Software Development Costs

2 No material uncertain tax positions have been identified that would require additional financial statement disclosure.

6. LIMITATIONS AND DISCLAIMERS

1 This document is prepared solely for potential transaction evaluation purposes and should not be relied upon for independent tax planning or compliance.

2 The Company makes no representations or warranties regarding the completeness or accuracy of the information contained herein beyond good faith preparation.

7. CERTIFICATION

We certify that the foregoing Tax Basis Balance Sheet and Reconciliation represents a true and accurate representation of the Company's financial position as of the date specified.

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.