

Annual Tax Provision and Reconciliation Statement

Fiscal Year Ending December 31, 2023

Prepared By: Corporate Tax Department

Nexus Intelligent Systems, Inc.

Delaware Corporate Headquarters

1. EXECUTIVE SUMMARY

This Annual Tax Provision and Reconciliation Statement ("Statement") provides a comprehensive analysis of Nexus Intelligent Systems, Inc.'s ("Company") federal and state tax positions for the fiscal year ending December 31, 2023. The document represents a detailed reconciliation of projected and actual tax liabilities, reflecting the company's commitment to transparent financial reporting and regulatory compliance.

2. FINANCIAL OVERVIEW

2.1 Gross Revenue

Total Company Revenue: \$12,500,000

Breakdown:

- Enterprise AI Services: \$8,750,000
- Consulting Services: \$3,125,000
- Professional Services: \$625,000

2.2 Jurisdictional Revenue Allocation

- California: 42%
- Delaware: 28%
- New York: 18%
- Other States: 12%

3. TAX PROVISION METHODOLOGY

3.1 Accounting Standards

This tax provision has been prepared in accordance with:

- Generally Accepted Accounting Principles (GAAP)
- Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740
- Internal Revenue Code Section 461

3.2 Calculation Approach

The tax provision utilizes:

- Discrete method of tax accounting
- Comprehensive effective tax rate analysis
- Detailed review of temporary and permanent differences

4. EFFECTIVE TAX RATE RECONCILIATION

4.1 Statutory Federal Tax Rate: 21%

4.2 Effective Tax Rate Reconciliation

Reconciliation Component	Impact on Tax Rate
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Statutory Federal Rate	21.00%
State Tax Adjustments	+3.50%
R&D Tax Credits	-4.25%
Stock-Based Compensation	-1.75%
Other Permanent Differences	+0.50%
Effective Tax Rate	19.00%

5. TAX CREDIT ANALYSIS

5.1 Research and Development Credits

- Total R&D Expenditures: \$1,875,000
- Qualified R&D Credit: \$468,750
- Carried Forward R&D Credits: \$212,500

5.2 Investment Tax Credits

- Qualified Technology Investments: \$625,000
- Investment Tax Credit Rate: 6%

- Total Investment Tax Credit: \$37,500

6. RISK AND CONTINGENCY ASSESSMENT

6.1 Potential Audit Exposures

- Low risk of material adjustments
- No significant uncertain tax positions identified
- Full documentation maintained for all tax calculations

7. LEGAL DISCLAIMER

This document represents management's best estimate based on currently available information.

Actual results may differ from these projections. Nexus Intelligent Systems, Inc. reserves the right to modify this statement as additional information becomes available.

8. CERTIFICATION

I, Sarah Williamson, Chief Strategy Officer of Nexus Intelligent Systems, Inc., hereby certify that the foregoing Tax Provision and Reconciliation Statement is true, complete, and accurate to the best of my knowledge.

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Sarah Williamson

Chief Strategy Officer

Date: January 22, 2024