

Deferred Tax Asset and Liability Analysis

Confidential Document - Nexus Intelligent Systems, Inc.

1. INTRODUCTION AND PURPOSE

1 This Deferred Tax Asset and Liability Analysis (the "Analysis") has been prepared by the financial and legal teams of Nexus Intelligent Systems, Inc. (the "Company") to provide a comprehensive assessment of the Company's current tax position, potential future tax implications, and strategic tax asset management as of December 31, 2023.

2 The purpose of this document is to:

- a) Provide a detailed examination of the Company's deferred tax assets and liabilities
- b) Analyze potential tax strategies and implications
- c) Support ongoing financial reporting and due diligence processes

2. DEFINITIONS AND SCOPE

1 Definitions:

- "Deferred Tax Asset" (DTA): A potential future tax benefit arising from temporary differences or tax loss carryforwards
- "Deferred Tax Liability" (DTL): A potential future tax obligation resulting from temporary differences in accounting and tax treatment

2 Scope of Analysis

This analysis covers the fiscal year ending December 31, 2023, and includes a forward-looking projection for the subsequent 36-month period.

3. DEFERRED TAX ASSET ANALYSIS

1 Composition of Deferred Tax Assets

The Company's DTAs are primarily derived from the following sources:

- a) Research and Development Tax Credits: \$1,247,500
- b) Net Operating Loss Carryforwards: \$3,675,200
- c) Capitalized Research Expenses: \$892,300
- d) Depreciation Timing Differences: \$456,700

2 Valuation Allowance Assessment

A comprehensive review indicates a more-likely-than-not realization of 87% of total deferred tax assets, with a projected valuation allowance of \$412,500.

4. DEFERRED TAX LIABILITY ANALYSIS

1 Primary Sources of Deferred Tax Liabilities

- a) Accelerated Depreciation for Tax Purposes: \$1,875,600
- b) Intangible Asset Amortization: \$2,340,200
- c) Unrealized Investment Gains: \$567,300

2 Net Deferred Tax Position

The Company's net deferred tax position as of December 31, 2023, reflects a net deferred tax liability of \$1,987,400.

5. TAX STRATEGY AND RISK MITIGATION

1 Strategic Recommendations

- a) Maximize R&D tax credit utilization
- b) Implement strategic loss harvesting techniques
- c) Optimize capitalization strategies for research and development expenses

2 Risk Mitigation Considerations

- Ongoing monitoring of tax law changes
- Regular reassessment of deferred tax asset realizability
- Proactive tax planning to minimize potential future liabilities

6. LIMITATIONS AND DISCLAIMERS

1 This analysis is based on current accounting standards, tax regulations, and the Company's financial information as of December 31, 2023.

2 The projections and assessments contained herein are subject to change based on:

- Future legislative changes
- Material changes in the Company's financial position
- Modifications in accounting standards or interpretations

7. PROFESSIONAL CERTIFICATION

1 This document has been prepared in accordance with generally accepted accounting principles (GAAP) and represents a good-faith effort to provide an accurate and comprehensive analysis of the Company's deferred tax position.

8. EXECUTION

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.

9. CONFIDENTIALITY NOTICE

This document is strictly confidential and intended solely for internal use and potential due diligence purposes. Unauthorized disclosure is prohibited.