

Corporate Tax Basis and Equity Reconciliation

Confidential Document

Prepared in Connection with Potential Transaction Involving Nexus Intelligent Systems, Inc.

1. PRELIMINARY STATEMENTS

1 Purpose of Document

This Corporate Tax Basis and Equity Reconciliation document ("Document") provides a comprehensive analysis of the tax attributes, equity structure, and historical capitalization of Nexus Intelligent Systems, Inc., a Delaware corporation ("Company"), as of January 22, 2024.

2 Scope of Reconciliation

This document represents a detailed reconciliation of:

- Authorized and issued equity securities
- Tax basis of corporate assets
- Historical equity transactions
- Potential tax implications of existing corporate structure

2. CORPORATE EQUITY OVERVIEW

1 Authorized Capital Structure

- Common Stock: 10,000,000 shares authorized
- Preferred Stock: 5,000,000 shares authorized
- Series A Preferred: 1,250,000 shares issued
- Series B Preferred: 1,750,000 shares issued

2 Equity Ownership Breakdown

- Founder Equity: 42.5% (Dr. Elena Rodriguez, Michael Chen)
- Venture Capital Investors: 47.3%
- Sequoia Capital: 22.6%
- Andreessen Horowitz: 15.7%
- Other VC Investors: 9.0%
- Employee Stock Option Pool: 10.2%

3. TAX BASIS RECONCILIATION

1 Asset Tax Basis Summary

- Total Corporate Assets: \$24,750,000
- Depreciable Fixed Assets: \$6,300,000
- Accumulated Depreciation: \$1,850,000
- Intangible Assets: \$8,900,000
- Software Development Costs
- Intellectual Property
- Current Year Capitalized Investments: \$3,600,000

2 Tax Attribute Analysis

- Net Operating Loss Carryforwards: \$2,750,000
- Research & Development Tax Credits: \$1,250,000
- Potential Section 174 Capitalization Impact: Pending IRS Guidance

4. HISTORICAL EQUITY TRANSACTIONS

1 Significant Equity Events

- March 15, 2018: Initial Incorporation
- Founder Shares Issued: 3,000,000 shares
- September 2019: Series A Financing
- \$4,500,000 raised
- Issued 1,250,000 Series A Preferred Shares
- November 2021: Series B Financing
- \$12,000,000 raised
- Issued 1,750,000 Series B Preferred Shares

2 Equity Compensation

- Total Stock Options Outstanding: 750,000
- Weighted Average Exercise Price: \$8.75
- Potential Dilution: 10.2% of Current Capitalization

5. POTENTIAL TAX CONSIDERATIONS

1 Identified Tax Risks

- Potential Section 382 Limitation on NOL Utilization
- Complex R&D Credit Substantiation Requirements
- Potential State Nexus Tax Exposures

2 Recommended Due Diligence Items

- Comprehensive tax return review (2019-2023)
- Verification of R&D credit calculations
- Assessment of potential state tax liabilities

6. LIMITATIONS AND DISCLAIMERS

1 Document Scope

This reconciliation represents management's best estimate based on available information. No warranty of absolute accuracy is provided.

2 Professional Disclaimer

Prepared for informational purposes only. Recipients should consult independent tax and legal advisors.

7. CERTIFICATION

The undersigned certifies that the information contained herein is true and accurate to the best of their knowledge.

Executed this 22nd day of January, 2024.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.