

# **TAX MATTERS CERTIFICATE AND DOCUMENTATION**

THIS TAX MATTERS CERTIFICATE AND DOCUMENTATION (this "Certificate") is made and entered into as of January 15, 2024 (the "Effective Date"), by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation (the "Company").

WHEREAS, the Company is a Delaware corporation engaged in the development and commercialization of artificial intelligence and machine learning software solutions for industrial applications;

WHEREAS, the Company desires to certify certain matters relating to its tax status, compliance, and obligations;

NOW, THEREFORE, the Company hereby certifies, represents, and agrees as follows:

## **1.0 TAX MATTERS CERTIFICATE**

### **1.1 Entity Classification**

The Company hereby certifies that it (a) is a corporation duly organized under the laws of the State of Delaware, (b) has not made any election to be treated as other than a C-corporation for U.S. federal income tax purposes, and (c) maintains its status as a domestic corporation under Section 7701(a)(4) of the Internal Revenue Code of 1986, as amended (the "Code"). The Company further affirms that it has not filed Form 8832 or any similar documentation to elect alternative tax treatment, and maintains all necessary corporate records to substantiate its classification.

### **1.2 Tax Residency**

The Company confirms its tax residency in the United States and certifies that it maintains its principal place of business at 2500 Innovation Drive, Suite 400, Wilmington, Delaware 19801. The Company acknowledges its obligation to maintain substantial business activities within Delaware and to comply with all state corporate governance requirements to preserve its domestic status.

### **1.3 FATCA Status**

The Company certifies that it is a U.S. Person as defined in Section 7701(a)(30) of the Code and is not subject to withholding under the Foreign Account Tax Compliance Act provisions of the Code. The Company maintains appropriate documentation, including Form W-9, to verify

its status and commits to promptly notify relevant parties of any change in circumstances affecting its FATCA classification.

#### **1.4 Sales Tax Nexus**

The Company acknowledges and certifies its sales tax collection and remittance obligations in jurisdictions where it maintains economic nexus through its SaaS offerings, pursuant to applicable state and local tax laws, including but not limited to economic nexus thresholds established post-South Dakota v. Wayfair, Inc. The Company specifically commits to: (a) Monitor transaction volumes and revenue thresholds in all jurisdictions; (b) Register for sales tax collection where required; (c) Implement appropriate tax calculation systems for SaaS products; (d) File returns and remit collected taxes in a timely manner; (e) Maintain detailed records of all transactions and nexus determinations; (f) Review and update nexus determinations quarterly; and (g) Engage qualified tax professionals for complex determinations.

## **2.0 TAX REPRESENTATIONS AND WARRANTIES**

### **2.1 Federal Income Tax Compliance**

The Company represents and warrants that: (a) It has timely filed all required federal income tax returns and information returns, including Forms 1120 and all applicable schedules; (b) All such returns are true, complete, and accurate in all material respects, with no material misstatements or omissions; (c) All federal income taxes shown as due have been paid in full, including estimated tax payments; (d) No federal tax audits or examinations are currently pending or threatened; (e) The Company maintains comprehensive documentation supporting all tax positions taken; (f) All required information reporting, including Forms 1099 and W-2, has been properly filed.

### **2.2 State and Local Tax Compliance**

The Company represents and warrants its compliance with all applicable state and local tax obligations, including: (a) Registration and filing requirements in all jurisdictions where required, including nexus determinations; (b) Collection and remittance of sales and use taxes on SaaS offerings, with specific attention to: (i) Cloud-based service classifications (ii) Multi-state transaction sourcing rules (iii) Digital goods and services categorization (c) Payment of all state income, franchise, and business privilege taxes; (d) Proper allocation and apportionment of income among states using approved methodologies; (e) Compliance with state-specific economic nexus thresholds and wayfair requirements; (f) Documentation of all state tax incentives and credits claimed.

## **2.3 International Tax Obligations**

The Company represents that: (a) It maintains transfer pricing documentation for all material intercompany transactions, including: (i) Functional and risk analyses (ii) Comparable company benchmarking (iii) Economic justification for pricing methodologies (b) It complies with all applicable international tax treaties and conventions; (c) It has implemented procedures to address Base Erosion and Profit Shifting (BEPS) requirements; (d) All permanent establishment determinations are properly documented; (e) Foreign tax credit calculations are supported by appropriate documentation; (f) International information returns, including Forms 5471 and 8865, are filed timely.

## **2.4 R&D Tax Credit Qualification**

The Company warrants that: (a) Its artificial intelligence and machine learning development activities qualify as research expenses under Section 41 of the Code, specifically: (i) Algorithm development and testing (ii) Model architecture design (iii) Neural network optimization (iv) Training data preparation and validation (b) It maintains contemporaneous documentation supporting all claimed R&D credits, including: (i) Project technical specifications (ii) Employee time tracking records (iii) Contractor agreements and invoices (c) All claimed R&D activities satisfy the four-part test under Treasury Regulations; (d) The Company maintains documentation demonstrating: (i) Technical uncertainty (ii) Process of experimentation (iii) Reliance on hard sciences (iv) Business component development (e) Qualified research expenses are properly segregated from non-qualified activities; (f) Alternative Simplified Credit calculations are properly documented and supported.

## **3.0 TAX COVENANTS**

### **3.1 Tax Return Filing Obligations**

The Company covenants to: (a) File all required tax returns and reports when due, including federal, state, local, and international tax filings; (b) Maintain appropriate documentation supporting all tax positions, including contemporaneous records of material transactions; (c) Engage qualified tax professionals for complex matters, particularly for cross-border transactions and specialized tax incentives; (d) Implement appropriate tax planning strategies aligned with business objectives; (e) Submit quarterly estimated tax payments as required by applicable jurisdictions; (f) Monitor and comply with changing tax regulations and reporting requirements.

### **3.2 Record Retention Requirements**

The Company shall: (a) Maintain tax records for the required statutory periods, which shall not be less than seven (7) years from the filing date; (b) Preserve documentation supporting R&D credit claims, including project records, time tracking, and expense allocation methodologies;

(c) Retain all transfer pricing and international tax documentation, including functional analyses and comparable company studies; (d) Implement secure electronic storage of tax records with appropriate backup systems and access controls; (e) Maintain detailed documentation of tax positions taken on uncertain tax positions; (f) Archive all correspondence with tax authorities and related working papers.

### **3.3 Tax Audit Cooperation**

The Company agrees to: (a) Promptly respond to any tax authority inquiries within specified deadlines; (b) Provide requested documentation to auditors in organized and accessible formats; (c) Engage appropriate representation for audits, including specialists when necessary; (d) Maintain audit defense files containing supporting documentation and analysis; (e) Cooperate with internal and external auditors during review procedures.

### **3.4 Transfer Pricing Compliance**

The Company shall: (a) Maintain contemporaneous transfer pricing documentation for all material intercompany transactions; (b) Review and update transfer pricing policies annually; (c) Conduct periodic benchmarking studies to support pricing methodologies; (d) Document any deviations from established transfer pricing policies.

### **3.5 Tax Risk Management**

The Company commits to: (a) Implement internal controls to identify and manage tax risks; (b) Conduct periodic tax risk assessments; (c) Maintain appropriate insurance coverage for tax-related risks; (d) Report material tax risks to the Board of Directors; (e) Establish procedures for escalating significant tax matters; (f) Review tax positions quarterly with qualified tax advisors.

## **4.0 SPECIAL TAX CONSIDERATIONS**

### **4.1 IP Development Tax Treatment**

The Company shall: (a) Properly capitalize software development costs under Rev. Proc. 2000-50, including: (i) Segregation of qualifying research and experimental expenditures; (ii) Documentation of computational processes and algorithms; (iii) Maintenance of contemporaneous development logs and milestone records; (b) Document all AI/ML development activities for tax purposes, specifically: (i) Training data acquisition and preparation costs; (ii) Model development and validation expenses; (iii) Infrastructure and computing resource allocation; (c) Maintain records supporting treatment of IP development expenses, including: (i) Time tracking systems for developer activities; (ii) Third-party contractor agreements and invoices; (iii) Hardware and software allocation methodologies.

## **4.2 Software Revenue Recognition**

The Company implements: (a) Appropriate revenue recognition methods for SaaS offerings under ASC 606, including: (i) Identification of distinct performance obligations; (ii) Determination of standalone selling prices; (iii) Recognition timing for subscription-based services; (b) Documentation supporting performance obligation satisfaction through: (i) Usage metrics and service level agreements; (ii) Customer acceptance documentation; (iii) Technical delivery milestones; (c) Procedures for allocation of transaction price to performance obligations, including: (i) Multi-element arrangement analysis; (ii) Variable consideration constraints; (iii) Contract modification treatments.

## **4.3 Cloud Services State Tax Treatment**

The Company acknowledges: (a) Varying state tax treatment of cloud computing services, including: (i) Classification as tangible personal property or service; (ii) Application of sales and use tax exemptions; (iii) Multiple points of use considerations; (b) Nexus implications of server locations, considering: (i) Physical presence standards; (ii) Economic nexus thresholds; (iii) Server location impact on sourcing; (c) State-specific sourcing rules for SaaS revenue, addressing: (i) Market-based sourcing requirements; (ii) Benefit of use determinations; (iii) Customer location documentation.

## **4.4 Employee Equity Compensation**

The Company maintains: (a) Section 409A compliance for equity awards through: (i) Fair market value determinations; (ii) Compliant grant documentation; (iii) Vesting schedule monitoring; (b) Documentation supporting equity compensation tax treatment, including: (i) IRC Section 83(b) elections; (ii) Option exercise records; (iii) Restricted stock unit agreements; (c) Procedures for tax reporting of equity compensation, encompassing: (i) Form W-2 reporting requirements; (ii) Information return filings; (iii) State tax withholding compliance.