

TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION (this "Certificate") is made and entered into as of January 15, 2024 (the "Effective Date"), by Nexus Industrial Intelligence, Inc., a Delaware corporation, with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company").

WHEREAS, the Company develops and licenses proprietary artificial intelligence software solutions for industrial applications and provides related services;

WHEREAS, the Company desires to certify certain tax matters relating to its business operations, revenue characterization, and compliance status;

NOW, THEREFORE, the Company hereby certifies and declares as follows:

1.0 TAX MATTERS CERTIFICATE

1.1 Entity Classification

The Company hereby certifies that it has not filed Form 8832 to elect classification as other than a corporation for U.S. federal tax purposes and remains classified as a C-corporation under Section 301.7701-3 of the Treasury Regulations. The Company further acknowledges its continuing obligation to notify relevant parties of any future changes to its entity classification within 30 days of such change.

1.2 Tax Residency

The Company confirms its status as a U.S. tax resident incorporated under the laws of Delaware, maintaining its principal place of business and commercial domicile within the United States. The Company certifies that it files Form 1120 U.S. Corporation Income Tax Return and applicable state returns in all jurisdictions where it conducts business operations or maintains economic nexus.

1.3 FATCA Status

The Company certifies its status as a U.S. Person as defined in Section 7701(a)(30) of the Internal Revenue Code and is not subject to FATCA withholding as a foreign financial institution. The Company maintains Form W-9 certifications for all domestic transactions and validates FATCA compliance for any international payment flows.

1.4 Software Revenue Characterization

(a) The Company's NexusCore™ Industrial AI Platform and related offerings generate revenue primarily through: (i) Software license fees characterized as IRC Section 861 computer program licenses; (ii) SaaS subscription fees treated as services income under Rev. Rul. 2011-24; and (iii) Implementation and support services.

(b) The Company maintains documentation supporting the characterization of its revenue streams for federal and state tax purposes in accordance with Treasury Regulation 1.861-18.

1.5 Transfer Pricing Compliance

The Company maintains contemporaneous transfer pricing documentation for all intercompany transactions involving software licensing, technical services, and intellectual property rights in accordance with IRC Section 482 and Treasury Regulation 1.6662-6(d)(2)(iii). This includes detailed functional analysis, economic studies, and benchmark comparables supporting arm's length pricing methodologies.

1.6 State Tax Nexus

The Company acknowledges its obligations under economic nexus standards established by *South Dakota v. Wayfair, Inc.* and maintains compliance with state-specific revenue thresholds and transaction volume requirements for sales tax collection and income tax filing purposes.

2.0 TAX REPRESENTATIONS AND WARRANTIES

2.1 Filing Compliance

The Company represents and warrants that: (a) All required federal, state, and local tax returns have been timely filed, including but not limited to income tax, sales and use tax, payroll tax, and information returns; (b) All tax returns are true, complete, and accurate in all material respects, with no willful omissions or misstatements; (c) The Company maintains adequate books and records supporting all filed returns for the statutorily required retention period; (d) All electronic filing requirements and digital signature protocols have been strictly observed.

2.2 Payment of Taxes

The Company certifies that: (a) All taxes shown as due on filed returns have been paid in full or adequately reserved for on the Company's financial statements; (b) No installment agreements or payment plans are currently in effect with any taxing authority; (c) All estimated tax payments have been made timely and in the required amounts; (d) The Company maintains sufficient cash reserves for anticipated tax obligations.

2.3 Audits and Examinations

(a) No tax authority has pending or threatened any audit, examination, or investigation of the Company's tax returns or positions for any open tax year; (b) The Company has not received any information document requests or notices of deficiency; (c) All prior audits have been concluded with no material adjustments; (d) The Company maintains comprehensive documentation to support its positions in the event of examination.

2.4 R&D Tax Credits

(a) The Company claims R&D tax credits under IRC Section 41 for qualifying software development activities, including: (i) New feature development and testing; (ii) Algorithm optimization and enhancement; (iii) Platform architecture improvements; (iv) Integration of new technologies; (b) Documentation supporting the credit computation is maintained pursuant to Treasury Regulation 1.41-4(d), including: (i) Contemporary project records; (ii) Time tracking data; (iii) Technical specifications; (iv) Testing protocols; (c) All claimed activities satisfy the four-part test under IRC Section 41(d): (i) Permitted purpose; (ii) Technical uncertainty; (iii) Systematic process of experimentation; (iv) Reliance on hard sciences.

2.5 State Tax Nexus

The Company hereby declares nexus and filing obligations in the following jurisdictions based on: (a) Physical presence through: (i) Employee residence or travel; (ii) Owned or leased property; (iii) Server locations; (iv) Inventory storage; (b) Economic nexus through: (i) Revenue thresholds; (ii) Transaction volumes; (iii) Customer locations; (iv) Digital product delivery; (c) Software licensing and cloud service delivery, including: (i) Software as a Service (SaaS); (ii) Platform as a Service (PaaS); (iii) Infrastructure as a Service (IaaS); (iv) Data hosting services.

2.6 Tax Planning and Risk Management

The Company warrants that: (a) All tax positions taken are supported by substantial authority; (b) No reportable transactions under IRC Section 6707A have been undertaken; (c) Transfer pricing policies comply with IRC Section 482; (d) International tax compliance requirements are met where applicable.

3.0 INTERNATIONAL TAX MATTERS

3.1 Transfer Pricing

The Company maintains transfer pricing documentation compliant with IRC Section 482 for all material intercompany transactions, including: (a) Software licensing arrangements between affiliated entities; (b) Development services and technical support operations; (c) Support

services and shared administrative functions; (d) Marketing and distribution arrangements; (e) Cost-sharing agreements for intellectual property development.

All transfer pricing methodologies shall be reviewed annually and documented in accordance with Treasury Regulation §1.6662-6(d)(2)(iii), including contemporaneous documentation of: (i) Principal transactions and pricing methods selected; (ii) Functional and risk analyses; (iii) Comparable transactions and adjustments; (iv) Best method determination and application.

3.2 Withholding Obligations

(a) The Company collects Forms W-8 and W-9 as required, maintaining a documented verification process; (b) Appropriate withholding is applied to payments to foreign persons pursuant to IRC Sections 1441-1446; (c) Forms 1042 and 1042-S are filed when required, with supporting documentation; (d) Periodic review of withholding procedures is conducted to ensure compliance; (e) Documentation is maintained for treaty benefits claimed by foreign persons; (f) Qualified intermediary obligations are fulfilled where applicable.

3.3 Permanent Establishment

The Company's cloud-based service delivery model does not create permanent establishments in customer jurisdictions under applicable tax treaties, provided that: (a) No fixed place of business is maintained in customer jurisdictions; (b) Server locations are strategically selected to avoid permanent establishment risks; (c) Local representatives do not have authority to conclude contracts; (d) Activities in foreign jurisdictions remain preparatory or auxiliary in nature; (e) Regular assessment of activities is conducted to monitor permanent establishment exposure.

3.4 Digital Services Tax

The Company monitors and complies with emerging digital services tax obligations through: (a) Regular assessment of digital service tax legislation in all operating jurisdictions; (b) Implementation of systems to track revenue attributable to user jurisdictions; (c) Registration and compliance procedures where thresholds are met; (d) Quarterly review of digital service revenue by jurisdiction; (e) Maintenance of documentation supporting digital service tax calculations; (f) Engagement with tax authorities regarding digital service tax obligations; (g) Implementation of billing systems capable of applying jurisdiction-specific digital service taxes; (h) Regular review of international digital tax developments and treaty implications.

3.5 Compliance Review

The Company shall conduct annual reviews of international tax compliance, including assessment of: (a) Changes in international tax laws and treaties; (b) Impact of business changes on existing tax positions; (c) Documentation requirements and deadlines; (d) Reporting obligations across jurisdictions.

4.0 SPECIAL TAX CONSIDERATIONS

4.1 Software Development Costs

(a) The Company capitalizes and amortizes software development costs under Rev. Proc. 2000-50, with systematic amortization over 36 months from the date of completion; (b) Research costs are currently deducted under IRC Section 174, including qualified research expenses for algorithm development and testing protocols; (c) Cloud-based software development costs are treated in accordance with Rev. Rul. 2018-29, with appropriate allocation between internal-use and external-facing components; (d) Development costs for artificial intelligence modules follow the IRS Industry Director Directive #1 on emerging technologies.

4.2 Intellectual Property

(a) All material IP is owned by the Company and developed in the United States, with documentation maintained to support domestic development claims; (b) IP transfer pricing arrangements comply with IRC Section 482, including contemporaneous documentation requirements; (c) Cost-sharing arrangements with international subsidiaries are structured pursuant to Treas. Reg. 1.482-7; (d) Patent and trademark amortization follows the 15-year schedule under IRC Section 197.

4.3 State Tax Incentives

The Company qualifies for and claims: (a) Delaware New Economy Jobs Tax Credit, maintaining compliance with annual reporting requirements and job creation thresholds; (b) Research and Development Tax Credits in applicable states, with specific documentation protocols for each jurisdiction; (c) Technology Business Tax Certificate Transfer Program benefits in New Jersey; (d) Manufacturing and Technology Investment Tax Credits in participating states where operations exist; (e) Enterprise Zone Development incentives in qualified locations.

4.4 Employee Equity Compensation

(a) Stock option and RSU grants comply with IRC Section 409A, including proper valuation methodologies; (b) Required tax withholding and reporting is performed on equity compensation; (c) ISO grants meet the requirements of IRC Section 422, including shareholder approval provisions; (d) ESPP offerings comply with IRC Section 423 requirements; (e) Early exercise provisions include Section 83(b) election guidance.

4.5 Additional Tax Considerations

(a) The Company maintains qualified small business stock status under IRC Section 1202; (b) International tax compliance includes GILTI calculations under IRC Section 951A; (c) State

tax nexus is monitored quarterly for economic and physical presence thresholds; (d) Sales tax collection and remittance follows Wayfair decision guidelines; (e) Delaware holding company structure maintains proper substance and business purpose.

IN WITNESS WHEREOF, the undersigned, being duly authorized, has executed this Certificate as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: _____ Name: David Kumar Title: Chief Financial Officer

EXHIBITS: A: State Tax Nexus Analysis B: R&D Tax Credit Computation Summary C: Transfer Pricing Documentation Index

[Exhibits to follow]