TAX DOCUMENTATION AND CLASSIFICATION DECLARATION

Document No. 23 Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company"), develops and commercializes proprietary artificial intelligence and machine learning software solutions for industrial applications;

WHEREAS, the Company seeks to establish comprehensive tax documentation regarding the classification and treatment of its revenue streams, research and development activities, and multi-jurisdictional tax obligations;

NOW, THEREFORE, the Company hereby declares and documents the following tax positions and methodologies:

1.0 TAX DOCUMENTATION DECLARATION

1.1 Entity Classification

The Company maintains its classification as a C-Corporation for federal tax purposes, as established upon incorporation in Delaware on March 15, 2018. The Company has not made any entity classification elections under Treasury Regulations Section 301.7701-3. This classification applies to all domestic and international operations, subsidiaries, and affiliated entities under the Company's control. The Company shall maintain documentation supporting this classification, including Articles of Incorporation, IRS Form 8832 determinations, and relevant corporate governance records.

1.2 Revenue Recognition Methods

The Company adopts the accrual method of accounting for tax purposes pursuant to IRC Section 451. Revenue from the NexusCore™ Industrial AI Platform and related services shall be recognized in accordance with the following principles:

(a) Software-as-a-Service (SaaS) subscription revenues shall be recognized ratably over the subscription term, with multi-year contracts being allocated across applicable tax years; (b) Implementation and professional services revenues shall be recognized as services are performed, documented through detailed time tracking and milestone completion records; (c) Usage-based revenues shall be recognized upon actual customer usage, supported by

automated system logs and usage metrics; (d) Training and education services shall be recognized when delivered, whether in-person or virtual; (e) Custom development work shall be recognized based on percentage of completion method, where applicable.

1.3 Software Development Cost Treatment

Software development costs shall be treated as follows:

(a) Internal-use software development costs shall be capitalized in accordance with IRC Section 167, including direct labor, contractor expenses, and allocated overhead; (b) Research and experimental costs shall be amortized under IRC Section 174, with specific identification of qualified activities; (c) Cloud computing infrastructure costs shall be expensed as incurred, including both fixed and variable components; (d) Third-party software licenses and tools shall be amortized over their useful life; (e) Machine learning model development costs shall be evaluated separately for appropriate treatment based on intended use and commercialization strategy.

1.4 R&D Tax Credit Qualification

The Company documents its qualification for federal research and development tax credits under IRC Section 41, maintaining contemporaneous documentation of:

(a) Qualified research expenses, including detailed allocation of personnel time and resources; (b) Base period calculations, with historical records supporting computation methods; (c) Technical uncertainty documentation, including project planning materials and technical specifications; (d) Process of experimentation records, including test results and iteration documentation; (e) Documentation of systematic approach to evaluating alternatives; (f) Evidence of scientific principles application in development work.

1.5 International Tax Considerations

The Company shall maintain documentation supporting its international tax positions, including:

(a) Transfer pricing documentation for international transactions; (b) Documentation supporting permanent establishment determinations; (c) Records supporting foreign tax credit calculations; (d) Documentation of international revenue allocation methodologies; (e) Evidence supporting treaty positions and benefits claimed.

All tax documentation shall be maintained for a minimum of seven years from the later of the tax return due date or filing date, in accordance with IRC Section 6001 and applicable state and international requirements.

2.0 REVENUE CLASSIFICATION AND RECOGNITION

2.1 SaaS Revenue Classification

The Company's NexusCore™ platform subscription revenues shall be classified as:

(a) Software-as-a-Service income under IRC Section 451(c), with recognition occurring ratably over the subscription term; (b) Recurring revenue subject to the deferral provisions of Rev. Proc. 2004-34, provided that advance payments meet the specified criteria; (c) U.S. source income when provided to domestic customers, pursuant to Treasury Regulation §1.861-18.

The Company shall maintain detailed documentation supporting: (i) The timing of revenue recognition for each subscription tier; (ii) Evidence of customer acceptance and service activation dates; (iii) Allocation methodologies for multi-year contracts with varying payment terms; (iv) Treatment of implementation fees and setup charges associated with subscription services.

2.2 Professional Services Revenue

Implementation, consulting, and training services shall be treated as:

(a) Services income recognized as performed, with completion percentage documented through: (i) Timesheet records and project milestones; (ii) Customer acceptance certificates; (iii) Delivery confirmation documentation;

(b) Separate performance obligations from software subscriptions, requiring: (i) Distinct pricing and value proposition; (ii) Independent utility to the customer; (iii) Clear delineation in customer contracts;

(c) Subject to state sales tax where applicable by jurisdiction, with consideration for: (i) Nexus determination in each state; (ii) Service delivery location; (iii) Customer billing address.

2.3 Multi-element Arrangement Allocation

Revenue from bundled offerings shall be allocated based on:

(a) Relative standalone selling prices, established through: (i) Observable prices when sold separately; (ii) Market assessment approach; (iii) Expected cost plus margin analysis;

(b) Objective evidence of fair value, documented through: (i) Historical pricing data; (ii) Competitor benchmarking; (iii) Independent valuation studies;

(c) Residual method where appropriate, subject to: (i) Documentation of undelivered elements; (ii) Verification of vendor-specific objective evidence; (iii) Regular review of allocation methodologies.

2.4 International Revenue Treatment

Cross-border transactions shall be documented with:

(a) Transfer pricing documentation under IRC Section 482, including: (i) Functional analysis of international operations; (ii) Comparable company analysis; (iii) Selection and application of transfer pricing methods;

(b) Permanent establishment analysis, considering: (i) Server locations and data center operations; (ii) Sales and marketing activities; (iii) Technical support functions;

(c) Foreign-derived intangible income (FDII) calculations, incorporating: (i) Determination of qualified business asset investment; (ii) Documentation of foreign use; (iii) Allocation of expenses to foreign-derived income.

2.5 Revenue Recognition Timing

The Company shall recognize revenue when:

(a) Performance obligations are satisfied, as evidenced by: (i) System access provision for SaaS services; (ii) Completion of professional services deliverables; (iii) Customer acceptance documentation;

(b) Collection is reasonably assured, supported by: (i) Credit checks and payment history; (ii) Security deposits or advance payments; (iii) Collection enforcement procedures.

2.6 Documentation Requirements

The Company shall maintain:

(a) Detailed revenue recognition schedules showing: (i) Contract start and end dates; (ii) Recognition patterns and amounts; (iii) Deferred revenue balances;

(b) Supporting documentation including: (i) Executed customer agreements; (ii) Pricing approvals and modifications; (iii) Service level compliance records;

(c) Periodic reviews and updates of: (i) Revenue recognition policies; (ii) Allocation methodologies; (iii) Compliance with accounting standards.

3.0 RESEARCH & DEVELOPMENT EXPENDITURES

3.1 Qualified Research Expenses

The Company shall maintain comprehensive documentation of qualified research expenses including:

(a) Direct labor costs of researchers and developers, encompassing: (i) Salaries and wages of technical personnel (ii) Related payroll taxes and benefits (iii) Contractor compensation for technical services (iv) Supervision costs directly related to R&D activities

(b) Supplies and materials used in R&D activities, including: (i) Laboratory and testing materials (ii) Prototype components and assemblies (iii) Specialized research equipment under $5,000 (iv) Consumable research supplies

(c) Contract research expenses, subject to: (i) Written agreements specifying research scope (ii) Rights to research results (iii) Payment terms and deliverables (iv) Compliance with Treasury Regulation §1.41-2(e)

(d) Cloud computing costs allocated to research activities, comprising: (i) Data storage and processing for R&D purposes (ii) Development environment hosting (iii) Testing infrastructure costs (iv) Research-specific software licenses

3.2 Section 174 Treatment

R&D expenditures shall be amortized over 5 years pursuant to IRC Section 174, including:

(a) Algorithm development costs, encompassing: (i) Mathematical model development (ii) Statistical analysis and optimization (iii) Computational methodology research (iv) Algorithm validation and testing

(b) Machine learning model training expenses, including: (i) Data preparation and preprocessing (ii) Model architecture design (iii) Training infrastructure costs (iv) Validation and testing procedures

(c) Testing and validation activities, comprising: (i) Experimental design (ii) Performance measurement (iii) Quality assurance procedures (iv) Documentation of test results

(d) Technical documentation development, including: (i) Research protocols (ii) Experimental results (iii) Technical specifications (iv) Development process documentation

3.3 AI Development Cost Allocation

Artificial intelligence development costs shall be allocated between:

(a) Qualified research activities, including: (i) Novel AI architecture development (ii) Training methodology research (iii) Performance optimization studies (iv) Integration research

(b) Production implementation, comprising: (i) Model deployment (ii) System integration (iii) Performance monitoring (iv) User acceptance testing

(c) Ongoing maintenance and optimization, including: (i) Model retraining (ii) Performance tuning (iii) System updates (iv) Technical debt management

3.4 Software Development Activities

The Company documents the following as qualified research activities:

(a) Development of new AI/ML algorithms, including: (i) Novel computational methods (ii) Innovative processing techniques (iii) Experimental approaches (iv) Breakthrough technologies

(b) Enhancement of existing software functionality, comprising: (i) Performance improvements (ii) Feature additions (iii) Architecture modifications (iv) Integration enhancements

(c) Integration of new technology components, including: (i) System architecture research (ii) Compatibility studies (iii) Interface development (iv) Performance optimization

(d) Performance optimization research, encompassing: (i) Efficiency studies (ii) Resource utilization analysis (iii) Scalability research (iv) Technical feasibility studies

4.0 STATE TAX NEXUS DECLARATIONS

4.1 Economic Nexus Thresholds

The Company monitors and documents economic nexus in each state based on:

(a) Revenue thresholds, which shall be monitored quarterly and calculated on a trailing twelve-month basis, including all revenue streams derived from: (i) Software license fees (ii) Subscription services (iii) Implementation fees (iv) Professional services (v) Maintenance and support fees;

(b) Transaction volume, encompassing: (i) Number of separate transactions (ii) Recurring billing events (iii) Individual service provisions (iv) Contract modifications;

(c) Customer location, determined through: (i) Primary billing address (ii) Contract jurisdiction (iii) Service recipient location (iv) Multiple location apportionment methodology;

(d) Service delivery points, including: (i) Physical presence indicators (ii) Remote access locations (iii) Data center locations (iv) Employee activity locations.

4.2 State-by-State Analysis

The Company maintains documentation of nexus determination for each state including:

(a) Revenue attribution methodology, incorporating: (i) Market-based sourcing rules (ii) Cost of performance calculations (iii) Benefit of service location (iv) Multi-state apportionment factors;

(b) Physical presence analysis, documenting: (i) Employee activities and duration (ii) Property location and value (iii) Third-party contractor relationships (iv) Inventory storage and fulfillment (v) Trade show participation;

(c) Economic nexus threshold calculations, including: (i) State-specific revenue thresholds (ii) Transaction count measurements (iii) Combined group considerations (iv) Marketplace facilitator obligations;

(d) Registration and filing requirements, detailing: (i) Initial registration procedures (ii) Periodic filing schedules (iii) Payment requirements (iv) Compliance documentation.

4.3 Cloud Computing Tax Treatment

SaaS offerings shall be analyzed for state tax purposes considering:

(a) Server locations, including: (i) Primary and backup servers (ii) Content delivery networks (iii) Load balancing infrastructure (iv) Disaster recovery facilities;

(b) User access points, documenting: (i) IP address locations (ii) VPN access locations (iii) Mobile device access (iv) International access considerations;

(c) Benefit received location, analyzing: (i) Primary use location (ii) Multiple user locations (iii) Corporate headquarters (iv) Branch office utilization;

(d) Data storage locations, including: (i) Primary data centers (ii) Backup storage facilities (iii) Third-party hosting services (iv) Content delivery networks.

4.4 Service Delivery Location

Service delivery location shall be determined based on:

(a) Customer's primary place of use, evidenced by: (i) Contract specifications (ii) Usage patterns (iii) Access logs (iv) Customer declarations;

(b) Implementation location, including: (i) On-site services (ii) Remote implementation (iii) Hybrid delivery models (iv) Multi-location implementations;

(c) Training delivery location, documenting: (i) In-person training venues (ii) Virtual training delivery (iii) Recorded training access (iv) Multi-modal delivery;

(d) Remote access points, analyzing: (i) User authentication locations (ii) Administrative access points (iii) Support service delivery (iv) Maintenance performance locations.

4.5 Documentation Requirements

The Company shall maintain comprehensive documentation including:

(a) Quarterly nexus review reports (b) State-specific threshold monitoring logs (c) Physical presence tracking sheets (d) Economic nexus calculation worksheets (e) Service delivery location matrices (f) Cloud computing infrastructure maps (g) Customer location verification records (h) Registration and compliance calendars

IN WITNESS WHEREOF, this Tax Documentation has been executed by the duly authorized officer of the Company as of the date first written above.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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