

TAX MATTERS DOCUMENT

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 (the "Company"), develops and provides proprietary artificial intelligence and machine learning solutions for industrial applications;

WHEREAS, the Company desires to establish comprehensive guidelines for the treatment of tax matters relating to its operations, including its SaaS-based revenue model and technology development activities; and

WHEREAS, this Tax Matters Document (this "Document") sets forth the Company's policies and procedures regarding tax compliance, classifications, and reporting obligations.

NOW, THEREFORE, the Company hereby adopts this Document as follows:

1.0 PURPOSE AND SCOPE

1.1 This Document governs all tax-related matters concerning the Company's operations, including but not limited to federal, state, and international tax obligations arising from: (a) Development and commercialization of the NexusCore™ Industrial AI Platform; (b) Enterprise SaaS licensing arrangements; (c) Implementation services and related professional services; and (d) International operations, particularly within European markets.

1.2 The provisions herein shall apply to all tax jurisdictions where the Company maintains operations or derives revenue, including: (a) United States federal jurisdiction; (b) State and local jurisdictions where nexus is established; (c) European Union member states where the Company conducts business; and (d) Any additional international jurisdictions where the Company establishes material business presence.

1.3 Treatment of SaaS Revenue (a) Revenue derived from the Company's SaaS offerings shall be recognized in accordance with ASC 606 principles and applicable tax regulations. (b) Subscription-based revenue shall be allocated across relevant tax jurisdictions based on user location and usage metrics. (c) Multi-element arrangements involving both SaaS and professional services shall be separately evaluated for tax purposes according to the distinct performance obligations identified. (d) Revenue recognition timing differences between book and tax treatment shall be properly documented and reconciled.

1.4 Technology Development Costs (a) Research and development expenses related to AI/ML technology shall be allocated according to the following principles: (i) Direct development

costs shall be capitalized where appropriate; (ii) Indirect costs shall be allocated based on reasonable methodologies; (iii) Cloud computing and infrastructure costs shall be treated as specified in IRS Revenue Procedure 2000-50; and (iv) Internal use software development costs shall follow the guidance outlined in ASC 350-40.

1.5 Compliance Requirements (a) The Company shall maintain detailed documentation supporting: (i) Transfer pricing methodologies for cross-border transactions; (ii) Cost allocation procedures for multi-jurisdiction development activities; (iii) Revenue attribution methodologies for digital services; and (iv) Research and development credit calculations and supporting documentation. (b) Regular reviews shall be conducted to ensure compliance with evolving tax regulations in all applicable jurisdictions.

2.0 TAX CLASSIFICATIONS AND ELECTIONS

2.1 Federal Tax Classification (a) The Company shall maintain its status as a C-corporation for federal tax purposes. (b) All elections regarding research and development expenses under IRC Section 174 shall be properly documented and maintained. (c) The Company shall conduct annual reviews of its tax classification to ensure optimal structure, considering: (i) Revenue composition and sources; (ii) Shareholder requirements and limitations; (iii) International expansion plans; and (iv) Capital raising objectives. (d) Any proposed changes to tax classification must receive Board approval and be implemented with appropriate IRS filings.

2.2 State Tax Nexus Determinations (a) The Company shall regularly review and document its nexus status in all jurisdictions where: (i) Software is accessed by customers; (ii) Implementation services are performed; (iii) Sales activities are conducted; or (iv) Employees or contractors are located. (b) Economic nexus thresholds shall be monitored quarterly for compliance purposes. (c) The Company shall maintain detailed records of: (i) Revenue by jurisdiction; (ii) Physical presence indicators; (iii) Employee and contractor locations; and (iv) Digital product access points. (d) Nexus studies shall be conducted annually by qualified tax professionals.

2.3 R&D Tax Credit Qualification (a) The Company shall maintain detailed documentation supporting its R&D tax credit claims, including: (i) Project documentation for all qualified research activities; (ii) Time tracking records for technical personnel; (iii) Contractor agreements and related documentation; and (iv) Documentation of experimental procedures and results. (b) Qualified research activities shall be categorized and documented according to: (i) Core development activities; (ii) Algorithm development and testing; (iii) Software architecture improvements; and (iv) Machine learning model development. (c) The Company shall implement systems to track: (i) Direct research expenses; (ii) Allocated overhead costs; (iii) Cloud computing expenses; and (iv) Third-party research contracts.

2.4 International Tax Elections (a) The Company shall make appropriate elections regarding: (i) Treatment of foreign-derived intangible income (FDII); (ii) Transfer pricing methodologies;

and (iii) Value-added tax registration where required. (b) For international operations, the Company shall: (i) Maintain transfer pricing documentation; (ii) Review permanent establishment risk quarterly; (iii) Document intercompany transactions; and (iv) Monitor treaty implications. (c) The Company shall establish procedures for: (i) Foreign tax credit calculations; (ii) Withholding tax compliance; (iii) Country-by-country reporting; and (iv) Global intangible low-taxed income (GILTI) calculations.

2.5 Documentation Requirements (a) The Company shall maintain a centralized repository of: (i) Tax elections and supporting documentation; (ii) Annual compliance calendars; (iii) Tax authority correspondence; and (iv) Professional opinion letters. (b) All tax positions shall be reviewed annually by qualified tax advisors. (c) The Board shall receive quarterly updates on material tax matters.

3.0 REVENUE RECOGNITION AND REPORTING

3.1 SaaS Revenue Recognition Methodology (a) Subscription revenue shall be recognized ratably over the contract term, wherein: (i) Monthly subscription fees shall be recognized on the first day of each service period; (ii) Annual prepaid subscriptions shall be recorded as deferred revenue and amortized monthly; (iii) Volume-based pricing adjustments shall be reconciled quarterly; and (iv) Early termination fees shall be recognized upon termination date. (b) Usage-based components shall be recognized as consumed, specifically: (i) API calls, storage, and processing units shall be measured daily; (ii) Excess usage charges shall be recognized in the period incurred; (iii) Usage metrics must be verifiable through system logs; and (iv) Disputed usage shall be investigated within five business days. (c) Implementation services shall be evaluated for distinct performance obligations, considering: (i) Technical integration requirements; (ii) Custom development specifications; (iii) Training and consultation services; and (iv) Data migration services.

3.2 Multi-year Contract Considerations (a) Revenue allocation for multi-year contracts shall consider: (i) Standalone selling prices of distinct components as determined by: (1) Observable pricing in similar transactions; (2) Adjusted market assessment approach; (3) Expected cost plus margin methodology; (ii) Material rights granted to customers, including: (1) Renewal options at discounted rates; (2) Additional user licenses at preferential pricing; (3) Future product upgrades or enhancements; (iii) Contract modification impacts, addressing: (1) Scope changes affecting performance obligations; (2) Price adjustments affecting transaction allocation; (3) Service level agreement modifications.

3.3 State Revenue Allocation (a) Revenue shall be allocated among states based on: (i) User location data, determined through: (1) IP address verification; (2) Shipping address records; (3) Billing address documentation; (ii) Implementation service delivery location, evidenced by: (1) On-site service records; (2) Remote service delivery logs; (3) Training location documentation; (iii) Market-based sourcing rules where applicable, considering: (1) State-specific revenue

attribution requirements; (2) Economic nexus thresholds; (3) Benefit of service location principles.

3.4 Documentation Requirements (a) The Company shall maintain detailed records supporting: (i) Revenue recognition determinations, including: (1) Contract review documentation; (2) Performance obligation assessments; (3) Revenue allocation calculations; (ii) Performance obligation identification, supported by: (1) Technical specification documents; (2) Statement of work agreements; (3) Service delivery schedules; (iii) Transaction price allocations, documented through: (1) Pricing analysis worksheets; (2) Standalone selling price calculations; (3) Discount allocation methodologies; (iv) Timing of revenue recognition, evidenced by: (1) Service activation records; (2) Implementation milestone completion reports; (3) Usage measurement logs; (4) Customer acceptance documentation.

3.5 Periodic Review and Compliance (a) The Company shall conduct quarterly reviews of: (i) Revenue recognition methodologies; (ii) State allocation procedures; (iii) Documentation completeness; (b) Annual audits shall verify: (i) Compliance with recognition policies; (ii) Accuracy of state allocations; (iii) Adequacy of supporting documentation.

4.0 TAX COMPLIANCE OBLIGATIONS

4.1 Filing Requirements (a) The Company shall maintain a comprehensive calendar of filing obligations, including: (i) Federal, state, and local tax returns; (ii) Information returns and schedules; (iii) Estimated tax payments; and (iv) Employment tax deposits. (b) Quarterly and annual compliance reviews shall be conducted to ensure: (i) Accuracy of reported figures; (ii) Consistency with prior filings; (iii) Proper classification of income and expenses; and (iv) Timely submission of all required forms. (c) Extensions shall be filed when necessary to ensure accurate reporting, provided that: (i) Extension requests are submitted no later than original due dates; (ii) Estimated payments cover projected liabilities; and (iii) Extended deadlines are prominently tracked.

4.2 Documentation and Record Retention (a) Records shall be maintained for the longer of: (i) Seven years from filing date; (ii) Three years from final payment; or (iii) Period required by applicable law. (b) Required documentation shall include: (i) Source documents supporting all transactions; (ii) Workpapers demonstrating calculations; (iii) Correspondence with tax authorities; (iv) Filing receipts and proof of payments; and (v) Supporting documentation for R&D tax credit claims. (c) Electronic records shall be: (i) Backed up regularly; (ii) Stored in multiple secure locations; (iii) Maintained in searchable format; and (iv) Protected against unauthorized access.

4.3 Audit Response Procedures (a) The Company shall maintain written procedures for: (i) Initial audit response; (ii) Document production protocols; (iii) Communication with auditors; and (iv) Appeals procedures. (b) Upon receipt of audit notice: (i) Tax counsel shall be notified within 24 hours; (ii) Document preservation notices shall be issued; (iii) Internal review team

shall be assembled; and (iv) Response timeline shall be established. (c) During audit proceedings: (i) Single point of contact shall be designated; (ii) All communications shall be documented; (iii) Document production log shall be maintained; and (iv) Legal privilege shall be preserved.

4.4 R&D Tax Credit Documentation (a) Special documentation requirements for R&D credits: (i) Contemporary project records; (ii) Time tracking by qualified personnel; (iii) Technical uncertainty documentation; (iv) Process of experimentation evidence; and (v) Project outcomes and findings. (b) Annual review of R&D activities shall: (i) Verify qualification criteria; (ii) Update documentation procedures; (iii) Assess credit calculations; and (iv) Maintain support for claimed expenses.

5.0 INTERNATIONAL TAX CONSIDERATIONS

5.1 Transfer Pricing (a) The Company shall maintain contemporaneous documentation supporting: (i) Intercompany pricing methodologies; (ii) Functional and risk analyses; (iii) Economic analyses supporting transfer prices; (iv) Benchmarking studies for comparable transactions; and (v) Annual updates to transfer pricing documentation. (b) The Company shall conduct: (i) Annual reviews of transfer pricing policies; (ii) Quarterly assessments of intercompany transaction volumes; and (iii) Regular updates to functional analyses reflecting operational changes.

5.2 VAT Compliance (a) The Company shall: (i) Register for VAT where required; (ii) Maintain required documentation; (iii) File returns timely; (iv) Implement digital reporting systems compliant with Making Tax Digital requirements; (v) Monitor threshold requirements in all jurisdictions; and (vi) Maintain evidence of place of supply determinations. (b) Documentation requirements include: (i) Valid VAT invoices meeting local requirements; (ii) Evidence of zero-rating where applicable; (iii) Proof of export documentation; and (iv) Electronic records retention meeting local standards.

5.3 Permanent Establishment (a) Activities in foreign jurisdictions shall be monitored to: (i) Identify potential permanent establishments; (ii) Ensure proper registration where required; (iii) Maintain appropriate documentation; (iv) Track employee activities and duration of presence; and (v) Monitor digital presence thresholds. (b) Risk mitigation measures shall include: (i) Regular review of foreign operations; (ii) Documentation of business purpose for activities; (iii) Maintenance of contemporaneous records; and (iv) Implementation of control procedures.

5.4 Cross-Border Transactions (a) The Company shall implement procedures for: (i) Withholding tax compliance on payments; (ii) Treaty benefit documentation requirements; (iii) Beneficial ownership documentation; and (iv) Economic substance verification. (b) Documentation requirements include: (i) Tax residency certificates; (ii) Forms W-8BEN-E or

equivalent; (iii) Legal entity classification documentation; and (iv) Substance requirements evidence.

5.5 Digital Services Taxation (a) The Company shall monitor and comply with: (i) Digital services tax requirements; (ii) Revenue thresholds in applicable jurisdictions; (iii) User location tracking obligations; and (iv) Related reporting requirements.