

TAX MATTERS DOCUMENT 28

THIS TAX MATTERS DOCUMENT (this "Document") 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 ("Company") (EIN: 81-3456789).

WHEREAS, the Company develops and commercializes proprietary artificial intelligence and machine learning solutions for industrial applications through its NexusCore™ platform;

WHEREAS, the Company desires to establish and document certain tax treatment methodologies related to its software development activities, revenue recognition practices, and international operations;

WHEREAS, the Company seeks to ensure compliance with applicable federal, state, and international tax regulations while optimizing its tax position related to research and development activities; and

WHEREAS, this Document shall serve as the authoritative source for the Company's tax treatment of software development costs, revenue recognition, and related matters.

NOW, THEREFORE, the Company hereby adopts and establishes the following:

1.0 PREAMBLE AND RECITALS

1.1 This Document shall be known as Tax Matters Document 28 and constitutes the official tax documentation framework for Nexus Industrial Intelligence, Inc., a corporation duly organized and existing under the laws of the State of Delaware, File Number 6543210, Federal Employer Identification Number 82-1234567.

1.2 The Company maintains its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801, with additional operations at locations specified in Exhibit A. All formal notices and tax correspondence shall be directed to this address, attention: Chief Financial Officer.

1.3 The Company's primary business activities consist of developing and commercializing the NexusCore™ Industrial AI Platform and related implementation services, as registered under USPTO trademark registration number 88654321.

1.4 This Document establishes authoritative guidance for tax treatment of the Company's operations, with particular focus on: (a) Software and technology development activities (b)

Revenue recognition for SaaS offerings (c) International operations and revenue allocation (d) Research and development tax credits (e) State tax nexus considerations

1.5 WHEREAS, the Company operates in multiple tax jurisdictions and maintains subsidiary entities as detailed in Schedule B, this Document shall serve as the primary reference for all tax-related matters across the corporate structure.

1.6 This Document supersedes and replaces all previous tax documentation frameworks, including but not limited to Tax Matters Document 27 (dated January 15, 2022) and associated amendments thereto.

1.7 The provisions herein shall be interpreted in accordance with Internal Revenue Code sections 41, 174, and 197, as amended, and relevant state and international tax regulations.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "SaaS Revenue" means subscription fees received from customers for access to the NexusCore™ platform, excluding implementation services, professional services, and hardware components. This encompasses: (a) Monthly or annual subscription payments (b) User-based licensing fees (c) Feature-specific access charges (d) Platform usage fees (e) Data storage and processing fees Explicitly excluded are one-time charges, setup fees, and custom development work.

2.2 "Qualifying R&D Expenditure" means costs that meet the criteria for the research and development tax credit under IRC Section 41, including: (a) Wages for qualified services, specifically: (i) Direct research activities (ii) Direct supervision of research (iii) Direct support of research activities (b) Supply costs directly consumed in R&D (c) Contract research expenses, limited to 65% of amounts paid (d) Basic research payments to qualified organizations (e) Cloud computing costs directly attributable to R&D activities (f) Prototype development expenses

2.3 "International Revenue" means revenue derived from customers located outside the United States, subject to transfer pricing regulations and international tax treaties. This includes: (a) Direct sales to foreign entities (b) Revenue through international subsidiaries (c) Licensing fees from international partners (d) Foreign currency transactions, converted at the spot rate (e) Cross-border service fees All such revenue must comply with OECD guidelines and applicable tax conventions.

2.4 "AI Technology Development Costs" means expenditures directly related to: (a) Machine learning model development, including: (i) Data acquisition and preparation (ii) Model training and validation (iii) Framework development (b) Computer vision system creation (c) Algorithm optimization (d) Edge computing implementation (e) Related testing and validation activities (f) Neural network architecture design (g) AI model deployment infrastructure (h) Specialized hardware for AI processing

2.5 "Implementation Services" means professional services provided to customers for NexusCore™ platform deployment, integration, and customization, including: (a) Initial platform configuration (b) Data migration services (c) System integration services (d) Custom feature development (e) Training and documentation (f) Post-deployment support

2.6 "Technical Debt Resolution Costs" means expenses incurred in: (a) Legacy system modernization (b) Code refactoring (c) Architecture optimization (d) Security compliance updates (e) Performance improvement initiatives

2.7 For the purposes of this document: (a) References to "dollars" or "\$" refer to United States dollars (b) "Calendar quarter" means a three-month period ending March 31, June 30, September 30, or December 31 (c) "Fiscal year" refers to the period from January 1 to December 31 (d) References to any statute include amendments and successor legislation (e) Technical terms not defined herein shall have their ordinary industry meaning

3.0 TAX TREATMENT OF SOFTWARE DEVELOPMENT

3.1 R&D Tax Credit Qualification

The Company shall classify software development activities as Qualifying R&D Expenditures when such activities: (a) Constitute technological advancement through systematic study (b) Resolve technological uncertainty (c) Rely on principles of computer science (d) Are documented in accordance with Section 3.4

For purposes of qualification assessment: (e) "Technological advancement" shall be defined as demonstrable improvement over existing technologies (f) "Systematic study" requires structured investigation following scientific methodology (g) Activities must be conducted with the explicit purpose of discovering information that eliminates technical uncertainty (h) Routine programming and maintenance activities shall not qualify

3.2 Capitalization of Software Development Costs

The Company shall capitalize software development costs in accordance with ASC 350-40, with specific treatment as follows: (a) Preliminary project stage costs shall be expensed as incurred (b) Application development stage costs shall be capitalized (c) Post-implementation stage costs shall be expensed as incurred

Capitalization criteria shall include: (d) Technical feasibility of project completion (e) Intent and ability to complete development (f) Probability of generating future economic benefits (g) Availability of adequate technical, financial, and other resources (h) Ability to reliably measure development expenditure

3.3 AI/ML Model Development Expenses

Treatment of artificial intelligence and machine learning development costs shall be as follows: (a) Core algorithm development shall be capitalized (b) Model training costs shall be expensed

(c) Validation and testing costs shall be expensed (d) Infrastructure costs shall be allocated based on usage

Specific considerations for AI/ML expenses: (e) Data acquisition costs shall be capitalized if data has enduring value (f) Transfer learning adaptation costs shall be expensed (g) Model optimization costs shall be capitalized if resulting in substantial improvement (h) Cloud computing costs shall be allocated between development and operations

3.4 Documentation Requirements

The Company shall maintain detailed documentation of all development activities, including: (a) Time tracking records (b) Project objectives and technological uncertainty (c) Development methodology (d) Testing results (e) Success criteria and outcomes

3.5 Amortization and Depreciation

The Company shall apply the following amortization schedules: (a) Capitalized software costs shall be amortized over 36 months (b) AI/ML models shall be amortized over their estimated useful life (c) Infrastructure assets shall follow standard depreciation schedules (d) Patent-related costs shall be amortized over patent life

3.6 International Tax Considerations

For multinational development activities: (a) Transfer pricing documentation shall be maintained (b) Development costs shall be allocated according to economic substance (c) Tax treaty provisions shall be considered for cross-border activities (d) Permanent establishment implications shall be evaluated

3.7 State and Local Tax Treatment

The Company shall: (a) Apply state-specific R&D credit rules where applicable (b) Consider nexus implications of development activities (c) Maintain documentation supporting state tax positions (d) Track development activities by jurisdiction

3.8 Special Tax Considerations

The following special provisions apply: (a) Open-source components shall be separately tracked (b) Third-party technology licenses shall be documented (c) Revenue allocation shall consider embedded software value (d) Cloud delivery implications shall be evaluated

3.9 Compliance and Reporting

The Company shall: (a) Maintain contemporaneous documentation (b) Conduct quarterly reviews of capitalization decisions (c) Prepare annual R&D credit studies (d) Review treatment of development costs with external auditors (e) Update procedures based on regulatory changes (f) Monitor relevant tax authority guidance (g) Maintain support for uncertain tax positions (h) Document methodology changes

3.10 Periodic Review

The Company shall conduct annual reviews of: (a) Capitalization policies (b) Amortization schedules (c) R&D credit qualification criteria (d) Documentation adequacy (e) Tax position sustainability

4.0 REVENUE RECOGNITION AND TAX REPORTING

4.1 SaaS Revenue Recognition

The Company shall recognize SaaS revenue for tax purposes as follows: (a) Subscription fees shall be recognized ratably over the service period, with monthly recognition based on contract terms (b) Setup fees shall be recognized over the expected customer relationship period, not to exceed sixty (60) months (c) Usage-based fees shall be recognized as consumed, with measurement periods aligned to billing cycles (d) Early termination fees shall be recognized upon occurrence (e) Volume discounts shall be recognized as a reduction of revenue over the contract term

4.2 Multi-element Arrangements

For arrangements combining SaaS, implementation services, and other elements: (a) Separate performance obligations shall be identified based on distinct deliverables (b) Transaction price shall be allocated based on standalone selling prices (c) Revenue shall be recognized when performance obligations are satisfied (d) Contract modifications shall trigger reassessment of performance obligations (e) Contingent revenue shall be excluded until uncertainty is resolved (f) Material rights shall be accounted for as separate performance obligations

4.3 International Revenue Allocation

The Company shall allocate international revenue based on: (a) Location of customer operations, including primary and secondary locations (b) Jurisdiction of contract execution, with consideration for electronic acceptance (c) Transfer pricing requirements, maintaining contemporaneous documentation (d) Applicable tax treaties and international agreements (e) Permanent establishment considerations (f) Economic substance of transactions (g) Related party transaction requirements (h) Currency conversion timing and methods

4.4 Implementation Services Taxation

Implementation services shall be treated as follows: (a) Domestic services shall be taxed based on state nexus rules, including: (i) Physical presence requirements (ii) Economic nexus thresholds (iii) Market-based sourcing rules (b) International services shall be subject to local country regulations, including: (i) Value-added tax requirements (ii) Withholding tax obligations (iii) Service permanent establishment rules (c) Mixed services shall be allocated based on time and materials documentation

4.5 Revenue Recognition Documentation

The Company shall maintain the following documentation: (a) Detailed revenue recognition policies and procedures (b) Contract analysis worksheets for complex arrangements (c) Standalone selling price documentation (d) Performance obligation satisfaction evidence (e) Revenue allocation calculations (f) Tax position documentation

4.6 Special Considerations

The following special circumstances require specific treatment: (a) Non-refundable upfront payments shall be evaluated for significant financing components (b) Contract modifications shall be assessed for treatment as separate contracts (c) Variable consideration shall be estimated using expected value or most likely amount (d) Sales-based and usage-based royalties shall follow specific recognition guidance (e) Principal versus agent determinations shall affect gross versus net reporting

4.7 Compliance and Reporting

The Company shall ensure: (a) Quarterly review of revenue recognition positions (b) Annual validation of international allocation methodologies (c) Regular updates to documentation for tax law changes (d) Coordination between revenue recognition and tax reporting systems (e) Maintenance of audit trail for all revenue recognition decisions (f) Regular training for relevant personnel on revenue recognition policies

4.8 Dispute Resolution

Revenue recognition disputes shall be resolved through: (a) Internal review by qualified accounting personnel (b) Consultation with external tax advisors when necessary (c) Documentation of resolution decisions (d) Implementation of preventive measures for future disputes

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Compliance Representations

The Company represents and warrants that: (a) All required tax returns have been filed timely and accurately in all jurisdictions (b) All taxes, assessments, fees, and charges have been paid or adequately reserved in accordance with GAAP (c) No material tax audits, investigations, or examinations are pending or threatened (d) All required documentation, including supporting schedules, receipts, and records, is maintained in accordance with applicable retention requirements (e) There are no tax liens, encumbrances, or claims against Company assets (f) All estimated tax payments have been made in accordance with regulatory requirements

5.2 Technology-Related Tax Matters

The Company specifically represents regarding technology matters: (a) R&D tax credit claims are properly supported with contemporaneous documentation, including: (i) Detailed project records and timesheets (ii) Technical uncertainty documentation (iii) Process improvement

metrics (iv) Qualified research expense calculations (b) Software development costs are properly capitalized in accordance with ASC 350-40 (c) Revenue recognition methods comply with applicable regulations, including ASC 606 (d) International operations follow transfer pricing rules, supported by: (i) Current transfer pricing studies (ii) Intercompany agreements (iii) Economic substance documentation

5.3 State and International Compliance

The Company warrants compliance with: (a) State tax nexus requirements, including: (i) Economic nexus thresholds (ii) Physical presence requirements (iii) Marketplace facilitator obligations (b) International tax obligations, including: (i) Permanent establishment considerations (ii) Treaty compliance (iii) Foreign tax credit documentation (c) VAT and GST requirements where applicable, including: (i) Registration obligations (ii) Collection and remittance procedures (iii) Input tax recovery protocols (d) Local country tax regulations, supported by: (i) Country-specific compliance documentation (ii) Local tax authority registrations (iii) Required local representative appointments

5.4 Compliance Monitoring

The Company maintains: (a) Regular tax compliance reviews (b) Updated tax risk assessment protocols (c) Documented tax position defense files (d) Current tax authority correspondence records

IN WITNESS WHEREOF, this Document has been executed as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: _____ Name: James Wilson Title: Chief Financial Officer

EXHIBITS: A: Company Operations Locations B: R&D Documentation Requirements C: Revenue Recognition Methodology D: International Tax Jurisdiction Matrix