FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES

THIS FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES DOCUMENT (this "Document") is adopted and made effective as of January 15, 2024 (the "Effective Date") by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation (the "Company").

WHEREAS, the Company develops and commercializes artificial intelligence and machine learning software solutions for industrial applications;

WHEREAS, the Company desires to establish comprehensive financial and accounting policies that address its unique business model and technological assets; and

WHEREAS, the Company seeks to ensure compliance with applicable accounting standards, securities laws, and regulatory requirements while maintaining effective internal controls.

NOW, THEREFORE, the Company hereby adopts the following policies and procedures:

1.0 FINANCIAL REPORTING AND ACCOUNTING STANDARDS

1.1 Generally Accepted Accounting Principles

The Company shall prepare all financial statements and reports in accordance with United States Generally Accepted Accounting Principles ("GAAP") as established by the Financial Accounting Standards Board ("FASB"). Compliance shall extend to:

(a) Quarterly and annual financial statements (b) Internal management reports (c) Regulatory filings and disclosures (d) Investor communications and presentations (e) Subsidiary and consolidated reporting

1.2 Revenue Recognition Standards

(a) The Company shall recognize revenue in accordance with ASC 606 - Revenue from Contracts with Customers, applying the following five-step model: (i) Identify customer contracts (ii) Identify performance obligations (iii) Determine transaction price (iv) Allocate transaction price (v) Recognize revenue upon satisfaction of performance obligations

(b) For the NexusCore™ Industrial AI Platform and related offerings, revenue recognition shall specifically address: (i) Software license components (ii) Implementation services (iii) Post-contract customer support (iv) Professional services (v) Hardware components, if applicable

(c) Contract modifications shall be evaluated to determine whether they create: (i) Separate contracts (ii) Termination of existing and creation of new contracts (iii) Modifications to existing contracts (iv) Combination of contracts

1.3 Subscription Revenue Treatment

(a) Subscription-based revenue shall be recognized ratably over the contract term, commencing when the customer obtains access to the NexusCore™ platform.

(b) Setup fees shall be evaluated for distinct performance obligations and recognized accordingly.

(c) Variable consideration, including usage-based fees, shall be estimated using the expected value method or most likely amount method, as appropriate.

(d) Subscription term modifications shall be handled as follows: (i) Upgrades shall be treated as prospective adjustments (ii) Downgrades shall be evaluated for potential contract modification accounting (iii) Early terminations shall trigger immediate recognition of applicable penalties (iv) Extensions shall be evaluated as new contracts or modifications

1.4 Multi-Element Arrangements

(a) The Company shall allocate transaction price to performance obligations based on standalone selling prices, determined through: (i) Observable prices in standalone transactions (ii) Market assessment approach (iii) Expected cost plus margin approach (iv) Residual approach (when criteria are met)

(b) Bundle discounts shall be allocated proportionally across performance obligations unless specific evidence supports alternative allocation.

1.5 Contract Cost Accounting

(a) The Company shall capitalize incremental costs of obtaining contracts when: (i) Recovery is expected (ii) Amortization period exceeds one year (iii) Costs would not have been incurred absent the contract

(b) Capitalized costs shall be amortized on a systematic basis consistent with the transfer of goods or services.

1.6 Disclosure Requirements

(a) Financial statements shall include comprehensive disclosures regarding: (i) Revenue recognition policies (ii) Significant judgments in application of ASC 606 (iii) Contract assets and liabilities (iv) Performance obligations (v) Timing of revenue recognition

(b) Quantitative and qualitative disclosures shall address: (i) Disaggregation of revenue (ii) Contract balances (iii) Performance obligations (iv) Significant judgments (v) Contract costs

1.7 Internal Controls

(a) The Company shall maintain robust internal controls over revenue recognition, including: (i) Contract review procedures (ii) Performance obligation identification controls (iii) Price allocation documentation (iv) Revenue recognition timing verification (v) Modification assessment procedures

(b) Regular reviews shall be conducted to ensure: (i) Compliance with established policies (ii) Accuracy of revenue recognition (iii) Proper documentation retention (iv) Effective control operation (v) Timely identification of issues

1.8 Audit Requirements

The Company shall maintain sufficient documentation to support revenue recognition decisions and facilitate external audit procedures, including: (a) Contract documentation (b) Performance obligation analyses (c) Price allocation calculations (d) Recognition timing support (e) Modification assessments (f) Internal control evidence

2.0 INTERNAL CONTROLS AND PROCEDURES

2.1 Sarbanes-Oxley Compliance Framework

(a) The Company shall maintain a system of internal controls designed to provide reasonable assurance regarding: (i) Effectiveness and efficiency of operations (ii) Reliability of financial reporting (iii) Compliance with applicable laws and regulations (iv) Protection of company assets and resources (v) Prevention and detection of fraudulent activities

(b) Management shall conduct regular assessments of internal control effectiveness using the COSO framework, including: (i) Annual comprehensive control evaluations (ii) Quarterly control testing and validation (iii) Documentation of all control deficiencies and remediation plans (iv) Independent verification of control effectiveness

(c) The Company shall establish a dedicated Internal Controls Committee that shall: (i) Meet quarterly to review control effectiveness (ii) Report directly to the Audit Committee (iii) Maintain documentation of all proceedings (iv) Oversee remediation of control deficiencies

2.2 Technology Control Environment

(a) The Company shall implement and maintain controls specific to its AI/ML technology infrastructure, including: (i) Access controls for development environments (ii) Change management procedures (iii) Data integrity controls (iv) System backup and recovery procedures (v) Version control and code repository management (vi) AI model validation and testing protocols (vii) Algorithm bias monitoring and mitigation measures

(b) Regular audits of technology controls shall be conducted by qualified internal or external personnel, with: (i) Quarterly reviews of access rights and permissions (ii) Semi-annual penetration testing (iii) Annual comprehensive security assessments (iv) Continuous monitoring of system alerts and logs

2.3 Data Security Controls

(a) Financial data security measures shall include: (i) Encryption of sensitive financial information (ii) Multi-factor authentication for financial systems (iii) Audit logging of all financial transactions (iv) Regular penetration testing (v) Data loss prevention systems (vi) Real-time threat monitoring and response (vii) Secure data transmission protocols

(b) The Company shall maintain SOC 2 Type II compliance for its core technology platform and: (i) Conduct annual SOC 2 audits (ii) Implement all required security controls (iii) Document and track all security incidents (iv) Maintain incident response procedures

2.4 Financial Authorization Matrix

(a) The following authorization levels are established: (i) CEO/CFO approval required for transactions exceeding $250,000 (ii) VP-level approval required for transactions between $50,000 and $250,000 (iii) Director-level approval required for transactions up to $50,000 (iv) Manager-level approval required for transactions up to $10,000

(b) Additional authorization requirements: (i) Dual authorization required for all wire transfers (ii) Written documentation required for all approvals (iii) Monthly review of all authorized transactions (iv) Quarterly audit of authorization compliance

2.5 Control Documentation and Reporting

(a) The Company shall maintain comprehensive documentation of all controls, including: (i) Control objectives and procedures (ii) Risk assessment methodologies (iii) Testing and monitoring protocols (iv) Remediation procedures and timelines

(b) Regular reporting requirements: (i) Monthly control status reports to management (ii) Quarterly reports to the Audit Committee (iii) Annual comprehensive control assessment (iv) Immediate reporting of material control deficiencies

3.0 INTELLECTUAL PROPERTY VALUATION

3.1 AI Technology Valuation Methodology

(a) The Company shall value its proprietary AI technology using: (i) Cost approach for internally developed algorithms, including: - Direct development costs - Allocated overhead expenses - Time-adjusted labor costs - Infrastructure and computing resources (ii) Market approach for comparable technology acquisitions, considering: - Recent industry transactions -

Adjustments for technological differences - Market conditions and timing - Geographic considerations (iii) Income approach for revenue-generating applications, incorporating: - Projected cash flows - Risk-adjusted discount rates - Terminal value calculations - Market penetration estimates

(b) Valuation shall consider: (i) Development costs, including: - Direct labor and materials - Third-party consultants - Quality assurance and testing - Documentation and deployment (ii) Expected useful life, accounting for: - Technological evolution - Market demands - Competitive landscape - Upgrade cycles (iii) Technological obsolescence risk, evaluating: - Industry innovation rates - Emerging technologies - Alternative solutions - Maintenance requirements (iv) Market potential, analyzing: - Target market size - Growth projections - Competitive positioning - Adoption barriers

3.2 Patent Portfolio Assessment

(a) Patent assets shall be valued considering: (i) Legal protection strength, including: - Claim scope and breadth - Prior art considerations - Jurisdictional coverage - Enforcement history (ii) Commercial applicability, evaluating: - Market readiness - Implementation costs - Integration requirements - Scalability potential (iii) Competitive advantage provided, assessing: - Market exclusivity - Technical superiority - Cost advantages - Strategic positioning (iv) Licensing potential, considering: - Industry demand - Revenue opportunities - Cross-licensing possibilities - Territory restrictions

3.3 R&D Capitalization Policy

(a) Research costs shall be expensed as incurred, including: (i) Basic research activities (ii) Conceptual formulation (iii) Alternative searches (iv) Preliminary testing

(b) Development costs shall be capitalized when technological feasibility is established and the following criteria are met: (i) Technical feasibility of completion, demonstrated through: - Working prototypes - Successful testing results - Technical documentation (ii) Intention to complete, evidenced by: - Project approval documents - Resource allocation - Development timeline (iii) Ability to use or sell, supported by: - Market analysis - Distribution channels - Customer feedback (iv) Probable future economic benefits, documented through: - Financial projections - Market studies - Customer commitments (v) Adequate resources to complete, including: - Financial resources - Technical expertise - Infrastructure (vi) Ability to measure costs reliably, maintained through: - Project accounting systems - Cost tracking mechanisms - Resource allocation methods

3.4 Intangible Asset Recognition

(a) Intangible assets shall be recognized and measured in accordance with ASC 350, with specific consideration for: (i) Software development costs, including: - Design architecture - Coding and testing - Implementation - User documentation (ii) Acquired technology, considering: - Purchase price allocation - Integration costs - Fair value measurement - Useful life determination (iii) Patents and trademarks, evaluating: - Registration costs - Legal fees - Maintenance expenses - Defense costs (iv) Customer relationships, analyzing: - Contract terms - Historical retention - Revenue patterns - Replacement costs

(b) Periodic review requirements: (i) Annual impairment testing (ii) Useful life reassessment (iii) Amortization schedule updates (iv) Fair value measurements

(c) Documentation requirements: (i) Valuation reports (ii) Technical assessments (iii) Market analyses (iv) Financial projections

4.0 FINANCIAL RISK MANAGEMENT

4.1 Currency Risk Mitigation

(a) The Company shall implement comprehensive hedging strategies for significant foreign currency exposures, including: (i) Forward contracts with terms not exceeding 18 months (ii) Currency swaps for long-term obligations (iii) Options contracts when volatility protection is required

(b) Natural hedging through matching of currency revenues and expenses shall be prioritized, whereby: (i) Regional operations shall maintain balanced local currency positions (ii) Contracts exceeding USD 1,000,000 shall include currency adjustment clauses (iii) Treasury shall review currency positions quarterly

4.2 Customer Concentration Risk

(a) The Company shall monitor and manage customer concentration by: (i) Maintaining a diversified customer base with no single customer exceeding 15% of annual revenue (ii) Establishing concentration limits per industry sector not to exceed 30% (iii) Implementing enhanced monitoring for customers representing over 5% of revenue

(b) Risk mitigation measures shall include: (i) Quarterly credit reviews for major accounts (ii) Performance bonds for contracts exceeding USD 2,000,000 (iii) Enhanced payment terms for high-concentration customers (iv) Periodic stress testing of customer portfolio

4.3 Technology Obsolescence Risk

(a) The Company shall maintain reserves for: (i) Technology platform updates, allocated at 8% of annual revenue (ii) Algorithm refinement and validation, at 5% of gross profit (iii) Infrastructure modernization, reviewed semi-annually

(b) Technology risk management shall include: (i) Annual technology stack assessment (ii) Competitive analysis of emerging technologies (iii) Development of migration strategies for legacy systems (iv) Documentation of technical debt and remediation plans

4.4 Venture Capital Investment Terms

(a) The Company shall maintain compliance with: (i) Preferred stock rights and preferences as detailed in Series A-C agreements (ii) Investment agreement covenants, including financial ratios (iii) Board representation requirements for major investors (iv) Information rights obligations and reporting deadlines

(b) Ongoing monitoring shall include: (i) Monthly covenant compliance certification (ii) Quarterly investor updates and financial statements (iii) Annual audited financial statements (iv) Material event notifications within 48 hours

4.5 Additional Risk Management Provisions

(a) The Company shall establish and maintain: (i) Quarterly risk assessment reviews (ii) Risk management committee meetings (iii) Updated risk matrices and mitigation strategies

(b) Financial controls shall include: (i) Segregation of duties for all material transactions (ii) Dual authorization for payments exceeding USD 50,000 (iii) Monthly reconciliation of all hedging positions (iv) Independent validation of risk models

(c) Reporting requirements shall encompass: (i) Monthly risk dashboard to executive management (ii) Quarterly risk reports to the Board of Directors (iii) Annual comprehensive risk assessment (iv) Immediate notification of material risk events

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