# TAX MATTERS DOCUMENT 17

## 1.0 PREAMBLE AND RECITALS

THIS TAX MATTERS DOCUMENT (this "Document"), dated as of January 15, 2024 (the "Effective Date"), is executed and acknowledged by Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company"), Delaware Entity File Number 6438291, Federal Employer Identification Number 82-4731906, operating pursuant to its Certificate of Incorporation filed with the Delaware Secretary of State on March 12, 2018.

WHEREAS, the Company develops and licenses proprietary artificial intelligence and machine learning software solutions through its NexusCore™ Industrial AI Platform, including but not limited to predictive analytics modules, process optimization algorithms, and industrial automation interfaces;

WHEREAS, the Company generates revenue through enterprise software-as-a-service licensing and related implementation services across multiple international jurisdictions, including the United States, European Union, United Kingdom, Canada, and Asia-Pacific regions;

WHEREAS, the Company seeks to document and establish clear tax treatment protocols for its technology offerings and revenue streams in accordance with applicable domestic and international tax regulations, treaties, and conventions;

WHEREAS, the Company maintains substantial business operations, including research and development facilities, data centers, and administrative offices within multiple tax jurisdictions, necessitating comprehensive tax compliance frameworks; and

WHEREAS, this Document shall serve as the definitive record of the Company's tax classification methodology and compliance framework for its software and services revenue, incorporating guidance from relevant tax authorities and established industry practices.

NOW, THEREFORE, the Company hereby adopts and establishes the following tax matters provisions, which shall be binding upon the Company and its subsidiaries:

## 2.0 DEFINITIONS AND INTERPRETATIONS

2.1 Defined Terms. For purposes of this Document, the following terms shall have the meanings specified below:

(a) "AI/ML Technology" means the Company's proprietary artificial intelligence and machine learning algorithms, models, and systems incorporated into the NexusCore™ Platform, including but not limited to neural networks, deep learning frameworks, predictive models, and associated training datasets.

(b) "Enterprise License" means a subscription-based license granted to customers for access to and use of the NexusCore™ Platform on an enterprise-wide basis, including all authorized users within the customer's organization and its designated affiliates.

(c) "Implementation Services" means professional services provided by the Company for deployment, configuration, and integration of the NexusCore™ Platform, including customization, data migration, system integration, training, and technical support services.

(d) "NexusCore™ Platform" means the Company's proprietary industrial technology software platform and all associated modules, including predictive maintenance, quality inspection, process optimization capabilities, and any subsequent updates, modifications, or enhancements.

(e) "SaaS Revenue" means recurring revenue generated from Enterprise Licenses of the NexusCore™ Platform, excluding Implementation Services and ancillary offerings.

2.2 Revenue Classification Principles

(a) Software licensing revenue shall be classified according to the principles of ASC 606 and relevant international accounting standards, with specific consideration for: (i) Performance obligations identification (ii) Transaction price allocation (iii) Revenue recognition timing (iv) Contract modification treatments

(b) Implementation Services revenue shall be recognized separately from SaaS Revenue where distinctly identifiable, considering: (i) Standalone selling prices (ii) Resource allocation metrics (iii) Project milestone completion (iv) Customer acceptance criteria

2.3 Tax Classification Categories

(a) "Category A Revenue" means revenue derived from pure software licensing without physical components, including: (i) Cloud-based software subscriptions (ii) API access fees (iii) Digital content delivery (iv) Virtual service provisions

(b) "Category B Revenue" means revenue derived from Implementation Services and consulting, encompassing: (i) Professional services (ii) Technical support (iii) Training services (iv) Custom development

(c) "Category C Revenue" means revenue derived from hybrid offerings combining software and services, including: (i) Bundled solutions (ii) Integrated service packages (iii) Hardware-software combinations (iv) Managed services

2.4 Geographic Revenue Attribution

(a) "Domestic Revenue" means revenue generated within the primary jurisdiction of incorporation.

(b) "International Revenue" means revenue generated from cross-border transactions, subject to: (i) Transfer pricing regulations (ii) International tax treaties (iii) Foreign exchange considerations (iv) Local tax requirements

2.5 Interpretation Principles

(a) Terms defined herein shall be interpreted consistently throughout all related agreements and documents.

(b) In the event of ambiguity, interpretations shall favor: (i) Substance over form (ii) Industry standard practices (iii) Technical accuracy (iv) Regulatory compliance

# 3.0 TAX TREATMENT OF SOFTWARE LICENSING

3.1 SaaS License Classification

(a) Enterprise Licenses shall be classified as service contracts for tax purposes, with recurring revenue treated as services revenue rather than software sales.

(b) The Company shall apply consistent treatment across all jurisdictions unless specifically required otherwise by local law.

(c) For purposes of sales and use tax determination: (i) Monthly subscription fees shall be categorized as service receipts (ii) Usage-based charges shall be treated as additional service fees (iii) One-time setup fees shall be classified consistent with recurring charges

(d) Documentation Requirements: (i) The Company shall maintain detailed records supporting tax classification decisions (ii) Annual reviews of tax treatment shall be conducted across all active jurisdictions (iii) Changes in tax treatment shall be documented with supporting legal authority

3.2 Multi-jurisdictional Considerations

(a) Primary License Location. The tax situs for Enterprise Licenses shall be determined based on the customer's primary place of use.

(b) Multiple Use Locations. For customers accessing the NexusCore™ Platform from multiple jurisdictions: (i) Revenue allocation shall be based on user counts per jurisdiction (ii) Tax obligations shall be calculated separately for each applicable jurisdiction (iii) Quarterly reconciliation of user location data shall be performed (iv) Customer-provided location certificates shall be maintained on file

(c) Nexus Determination: (i) The Company shall conduct annual nexus studies for all jurisdictions (ii) Economic nexus thresholds shall be monitored monthly (iii) Registration

requirements shall be reviewed quarterly (iv) Local tax obligations shall be assessed based on physical and economic presence

(d) International Considerations: (i) VAT/GST treatment shall follow local jurisdiction requirements (ii) Permanent establishment analysis shall be conducted annually (iii) Transfer pricing documentation shall be maintained for related party transactions (iv) Treaty implications shall be considered for cross-border services

3.3 Implementation Services Treatment

(a) Services shall be taxed based on where performed rather than where consumed.

(b) Remote implementation services shall be sourced to the Company's location.

(c) On-site services shall be sourced to the customer location where performed.

(d) Mixed Services Classification: (i) Services involving both remote and on-site components shall be allocated (ii) Time tracking documentation shall support location allocation (iii) Travel expenses shall be sourced to service delivery location

3.4 Special Circumstances

(a) Beta Testing and Trial Periods: (i) No-charge trial periods shall be documented for tax purposes (ii) Conversion to paid services shall establish new tax treatment date (iii) Beta testing programs shall maintain separate tax classification

(b) Custom Development: (i) Custom software development shall be classified separately (ii) Work-for-hire arrangements shall follow special tax treatment (iii) Intellectual property transfer implications shall be considered

3.5 Compliance and Reporting

(a) Documentation Requirements: (i) Tax determination worksheets shall be maintained for each customer (ii) Exemption certificates shall be collected and verified annually (iii) Supporting documentation shall be retained for seven years

(b) Audit Procedures: (i) Internal tax treatment audits shall be conducted semi-annually (ii) External tax advisory review shall be performed annually (iii) Compliance testing shall be documented and retained

(c) Reporting Obligations: (i) Monthly tax filings shall be reviewed by qualified personnel (ii) Quarterly reconciliations shall be performed (iii) Annual tax summaries shall be prepared by jurisdiction

3.6 Tax Rate Changes

(a) Rate Monitoring: (i) Tax rate changes shall be tracked across all jurisdictions (ii) Customer notifications shall be issued 30 days prior to rate changes (iii) System updates shall be implemented within required timeframes

(b) Historical Rate Documentation: (i) Historical rate tables shall be maintained (ii) Rate change effective dates shall be documented (iii) Customer-specific impact analyses shall be performed

3.7 Dispute Resolution

(a) Tax Authority Inquiries: (i) Responses shall be coordinated through Tax Department (ii) Supporting documentation shall be readily accessible (iii) External tax counsel shall be engaged as needed

(b) Customer Disputes: (i) Tax-related customer inquiries shall be addressed within 5 business days (ii) Formal tax opinions shall be obtained when necessary (iii) Resolution documentation shall be maintained in customer files


# 4.0 INTERNATIONAL REVENUE CONSIDERATIONS

4.1 North American Tax Requirements

(a) United States (i) Federal tax treatment shall follow IRS software regulations, including Revenue Procedure 2000-50 and subsequent updates (ii) State tax obligations shall be determined by nexus analysis, considering economic and physical presence thresholds (iii) Local tax obligations shall be monitored and complied with as applicable (iv) Software-as-a-Service (SaaS) revenue shall be classified according to current IRS guidance (v) Multi-state apportionment methodologies shall be documented and consistently applied

(b) Canada (i) GST/HST shall be collected and remitted as required (ii) Provincial tax requirements shall be monitored and observed (iii) Quebec Sales Tax (QST) obligations shall be separately tracked (iv) Digital service tax provisions shall be monitored and implemented as enacted (v) Non-resident registration requirements shall be reviewed quarterly

4.2 European Market Tax Treatment

(a) Value Added Tax (VAT) (i) VAT shall be charged and collected as required by EU regulations (ii) VAT registration shall be maintained in applicable jurisdictions (iii) One-Stop-Shop (OSS) mechanism shall be utilized where appropriate (iv) Digital service thresholds shall be monitored across all EU member states (v) VAT compliance calendar shall be maintained and updated monthly (vi) Real-time reporting requirements shall be implemented where mandated

(b) Transfer Pricing (i) All intercompany transactions shall follow arm's length principles (ii) Transfer pricing documentation shall be maintained as required (iii) Annual reviews shall be conducted to ensure compliance (iv) Advance pricing agreements shall be pursued where beneficial (v) Benchmark studies shall be updated every three years (vi) Cost-sharing arrangements shall be documented and reviewed annually

4.3 Revenue Allocation Methodology

(a) Revenue shall be allocated based on: (i) Location of customer operations (ii) User access points (iii) Implementation service delivery locations (iv) Intellectual property utilization (v) Server and infrastructure locations (vi) Support service delivery points

(b) Documentation requirements: (i) Allocation calculations shall be documented and retained (ii) Supporting evidence shall be maintained for seven years (iii) Contemporaneous documentation shall be prepared quarterly (iv) Electronic records shall be maintained in accordance with local requirements

4.4 Emerging Market Considerations

(a) Asia-Pacific Region (i) Country-specific digital service tax requirements shall be monitored (ii) Permanent establishment risk shall be assessed annually (iii) Local filing requirements shall be documented and observed

(b) Latin America (i) Electronic invoicing requirements shall be implemented as required (ii) Withholding tax obligations shall be monitored and fulfilled (iii) Regional tax treaties shall be considered in planning

4.5 Compliance and Reporting

(a) Global Reporting Requirements (i) Country-by-Country Reporting obligations shall be fulfilled (ii) Master File and Local File documentation shall be maintained (iii) Digital service tax reporting shall be standardized across jurisdictions

(b) Audit Support (i) Documentation shall be maintained in required languages (ii) Response protocols shall be established for tax authority inquiries (iii) External advisor network shall be maintained for each jurisdiction

# 5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Compliance Representations

The Company hereby represents and warrants that:

(a) It maintains appropriate systems and controls to ensure tax compliance across all jurisdictions where it operates, including but not limited to automated monitoring systems, regular compliance audits, and dedicated tax compliance personnel.

(b) All tax classifications and treatments described herein comply with applicable laws and regulations, including international tax treaties, bilateral agreements, and domestic tax codes.

(c) It will maintain necessary registrations and filings in all relevant tax jurisdictions, including timely submissions of returns, payments, and required documentation.

(d) It implements and maintains comprehensive transfer pricing policies that comply with OECD guidelines and local regulations in all applicable jurisdictions.

5.2 Revenue Recognition Warranties

The Company warrants that:

(a) Its revenue recognition practices comply with GAAP and IFRS as applicable, specifically addressing multi-element arrangements, subscription-based services, and hybrid delivery models.

(b) It maintains adequate documentation supporting all revenue classifications, including detailed transaction records, contract documentation, and performance obligation evidence.

(c) All artificial intelligence and machine learning revenue streams are properly categorized and recognized in accordance with emerging regulatory guidance and industry standards.

(d) Revenue allocation methodologies for bundled products and services are consistently applied and documented in accordance with prescribed accounting standards.

5.3 Software Classification Representations

The Company represents that:

(a) Its software and services are appropriately classified for tax purposes, including proper categorization of cloud services, on-premises software, and hybrid solutions.

(b) It will update classifications as required by changes in law or business operations, maintaining current documentation of all classification decisions.

(c) All software development activities are properly categorized for R&D tax credit purposes, with appropriate documentation of qualifying expenses and activities.

5.4 Compliance Monitoring and Reporting

The Company further represents and warrants that:

(a) It maintains robust internal controls for monitoring and reporting tax positions across all jurisdictions.

(b) Regular reviews are conducted to ensure continued compliance with evolving tax regulations and requirements.

(c) Independent third-party verification of tax positions is obtained where required by law or prudent business practice.

(d) All artificial intelligence and machine learning components are properly classified for both domestic and international tax purposes.

IN WITNESS WHEREOF, the Company has caused this Tax Matters Document to be executed as of the Effective Date.

[Signature block and exhibits remain as previously stated]