

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 but not limited to revenue recognition, research and development activities, and international operations;

NOW, THEREFORE, the Company hereby adopts and implements the following Tax Matters Document:

1.0 PURPOSE AND SCOPE

1.1 This Tax Matters Document (the "Document") establishes the framework for tax-related matters and obligations of the Company across all jurisdictions in which it conducts business. The Document serves as the authoritative source for tax compliance, reporting requirements, and strategic tax planning initiatives.

1.2 The provisions herein shall apply to: (a) Federal, state, and international tax obligations; (b) Treatment of Software-as-a-Service ("SaaS") revenue; (c) Research and development activities related to artificial intelligence and machine learning technologies; (d) Implementation services revenue; (e) Cross-border transactions and international operations; and (f) Intercompany transfer pricing arrangements.

1.3 Technology Development Cost Allocation The Company shall allocate costs related to the development of its proprietary NexusCore™ Industrial AI Platform according to the following principles: (a) Direct development costs shall be capitalized where appropriate under IRC Section 174; (b) Research activities qualifying under IRC Section 41 shall be tracked separately for R&D tax credit purposes; (c) Shared technology infrastructure costs shall be allocated based on reasonable methodologies documented in the Company's transfer pricing studies.

1.4 Revenue Recognition Principles The Company shall recognize revenue from its SaaS offerings in accordance with: (a) ASC 606 guidelines for performance obligations and contract modifications; (b) Jurisdiction-specific requirements for digital service taxation; (c) Multi-element arrangement considerations for bundled AI solutions.

1.5 Jurisdictional Compliance The Company shall maintain compliance with: (a) Local tax regulations in each operating jurisdiction; (b) International tax treaties and conventions; (c) Transfer pricing documentation requirements; (d) Economic nexus standards for digital services; (e) Value-added tax (VAT) and goods and services tax (GST) obligations.

1.6 Documentation Requirements The Company shall maintain comprehensive documentation including: (a) Technical documentation supporting R&D credit claims; (b) Transfer pricing studies and intercompany agreements; (c) Revenue recognition policies and procedures; (d) Tax position memoranda for material transactions; (e) Contemporaneous documentation supporting tax positions taken.

2.0 TAX CLASSIFICATIONS AND ELECTIONS

2.1 Federal Tax Classification The Company maintains its status as a C-Corporation for federal tax purposes and hereby documents its elections regarding: (a) Research and development cost treatment under IRC Section 174, including the election to amortize such costs over five years as prescribed by the Tax Cuts and Jobs Act of 2017; (b) Software development cost capitalization under Rev. Proc. 2000-50, with specific consideration for cloud-based artificial intelligence platforms; (c) Method of accounting for advance payments under Rev. Proc. 2004-34, including treatment of subscription-based revenue; (d) Depreciation methods for computing equipment and data center infrastructure under IRC Section 168; (e) Treatment of foreign-derived intangible income (FDII) under IRC Section 250.

2.2 State Tax Nexus The Company acknowledges nexus for state tax purposes in jurisdictions where it: (a) Maintains physical presence through employees, offices, or data centers; (b) Exceeds economic nexus thresholds through revenue or digital presence, specifically monitoring state-specific revenue thresholds; (c) Conducts implementation services or training activities; (d) Maintains server infrastructure or cloud computing resources; (e) Engages independent contractors or sales representatives; (f) Participates in trade shows or temporary business activities.

2.3 International Tax Considerations The Company shall comply with international tax obligations, including: (a) Transfer pricing documentation for intercompany transactions; (b) Value-added tax (VAT) registration and compliance in applicable jurisdictions; (c) Permanent establishment determinations for foreign operations; (d) Documentation of treaty positions and withholding tax obligations; (e) Country-by-country reporting requirements under BEPS Action 13.

2.4 R&D Tax Credit Qualification The Company shall maintain documentation supporting R&D tax credit claims including: (a) Contemporary documentation of qualified research activities, with particular emphasis on machine learning algorithm development; (b) Time tracking records for technical personnel, including allocation of effort to qualified projects; (c) Project documentation demonstrating technological uncertainty in AI model development; (d)

Evidence of systematic experimentation in AI/ML development; (e) Documentation of computational costs related to model training and validation; (f) Records of failed experiments and iterative improvements; (g) Documentation of specific technical challenges addressed through research activities.

2.5 Tax Compliance Documentation The Company shall maintain comprehensive records including: (a) Annual tax provision calculations and supporting workpapers; (b) Quarterly tax estimates and payment documentation; (c) State apportionment calculations and supporting data; (d) Documentation of tax positions taken on uncertain issues; (e) Analysis supporting materiality determinations; (f) Technical memoranda supporting significant tax positions; (g) Documentation of internal control procedures for tax compliance; (h) Records of tax authority correspondence and examination results; (i) Supporting documentation for all tax elections and method changes; (j) Annual review and certification of tax compliance procedures.

3.0 REVENUE RECOGNITION AND REPORTING

3.1 SaaS Revenue Recognition The Company shall recognize revenue from its SaaS offerings according to the following principles: (a) Subscription revenue shall be recognized ratably over the contract term, commencing on the date when the customer obtains access to the service; (b) Implementation services shall be evaluated for distinct performance obligations, with consideration given to integration requirements, customization scope, and standalone value; (c) Multi-year contracts shall be analyzed for significant financing components, applying a threshold of 12 months for determining materiality; (d) Usage-based components shall be recognized based on actual customer consumption, measured through verified platform metrics; (e) Non-refundable upfront fees shall be assessed for distinct value and recognized accordingly over the expected customer relationship period.

3.2 State Revenue Allocation For purposes of state tax apportionment, revenue shall be allocated based on: (a) Location of customer's primary use of the SaaS platform, as documented in the service agreement; (b) Location where implementation services are performed, with allocation for multiple service locations; (c) Market-based sourcing rules for digital services where applicable, including consideration of: (i) Customer's billing address for B2C transactions; (ii) Location of customer's benefit receipt for B2B transactions; (iii) Multiple points of use arrangements requiring proportional allocation.

3.3 Documentation Requirements The Company shall maintain the following revenue documentation: (a) Detailed customer contracts specifying performance obligations, including: (i) Service level agreements and performance metrics; (ii) Pricing terms and variable consideration components; (iii) Termination provisions and associated financial implications; (b) Implementation service completion records, documenting: (i) Project milestones and acceptance criteria; (ii) Time and material records for service delivery; (iii) Customer sign-off documentation; (c) Usage metrics supporting revenue allocation decisions, including: (i)

System-generated usage reports; (ii) Customer access logs and authentication records; (iii) Transaction volume statistics.

3.4 Revenue Recognition Timing The Company shall adhere to the following timing principles: (a) Revenue shall be recognized when the Company has satisfied its performance obligations; (b) For ongoing services, recognition shall occur as the customer simultaneously receives and consumes benefits; (c) Contract modifications shall be evaluated for treatment as separate contracts or cumulative catch-up adjustments.

3.5 Special Considerations The following situations require specific treatment: (a) Bundle arrangements shall be allocated based on relative standalone selling prices; (b) Contract renewals shall be evaluated for material rights and options; (c) Early termination provisions shall be assessed for impact on transaction price; (d) Volume discounts shall be estimated and recognized as reduction of revenue; (e) Sales-based royalties shall be recognized at the later of: (i) When the subsequent sale occurs; or (ii) When the performance obligation is satisfied.

3.6 Reporting Requirements The Company shall prepare and maintain: (a) Monthly revenue recognition schedules; (b) Quarterly reconciliations of deferred and recognized revenue; (c) Annual revenue attestations for audit purposes; (d) State-by-state revenue allocation worksheets; (e) Documentation supporting material revenue recognition judgments.

4.0 TAX COMPLIANCE OBLIGATIONS

4.1 Filing Requirements The Company shall: (a) File all required federal, state, and international tax returns in accordance with applicable deadlines and jurisdictional requirements; (b) Submit quarterly estimated tax payments as required by relevant tax authorities; (c) Maintain compliance with sales/use tax obligations in all jurisdictions where the Company conducts business operations; (d) Register for and maintain valid tax identification numbers in each applicable jurisdiction; (e) Calculate and remit payroll taxes, including but not limited to Social Security, Medicare, and unemployment insurance contributions; (f) Report all intellectual property royalties, licensing fees, and related technology transfer payments in accordance with applicable tax regulations.

4.2 Record Retention The Company shall retain tax-related records for the longer of: (a) Seven (7) years from the filing date of the relevant tax return; (b) Three (3) years from the date of final audit resolution; (c) Period required by applicable state or international law; (d) Duration specified in any tax treaty or international agreement.

Such records shall include: (i) All primary accounting documents and supporting materials; (ii) Electronic transaction records and digital payment confirmations; (iii) Documentation supporting research and development tax credits; (iv) International transfer pricing documentation; (v) Records of intellectual property valuations and related tax positions.

4.3 Audit Procedures In the event of a tax audit, the Company shall: (a) Designate appropriate personnel for audit response, including a primary audit coordinator; (b) Maintain confidentiality of proprietary technology information through appropriate protective measures; (c) Engage qualified tax counsel as needed for complex matters; (d) Implement the following procedures: (i) Establish a dedicated audit response team; (ii) Create a secure document management system; (iii) Maintain communication protocols with tax authorities; (iv) Document all audit-related correspondence and meetings.

4.4 Compliance Monitoring The Company shall: (a) Conduct quarterly internal reviews of tax compliance procedures; (b) Maintain updated tax compliance calendars for all jurisdictions; (c) Monitor changes in tax laws affecting technology companies; (d) Review and update transfer pricing policies annually; (e) Assess impact of new business activities on tax obligations; (f) Evaluate tax implications of: (i) International software sales and licensing; (ii) Cloud-based service revenues; (iii) Cross-border intellectual property transfers; (iv) Research and development activities.

4.5 Reporting Requirements The Company shall prepare and maintain: (a) Quarterly tax provision calculations; (b) Annual tax reconciliation reports; (c) Documentation supporting uncertain tax positions; (d) Analysis of technology-specific tax incentives; (e) Reports on global tax structure and effective tax rate calculations.

5.0 INTERNATIONAL TAX CONSIDERATIONS

5.1 Transfer Pricing The Company shall: (a) Maintain contemporaneous transfer pricing documentation in accordance with OECD guidelines and local jurisdiction requirements; (b) Review and update transfer pricing studies annually, incorporating market comparables and functional analyses; (c) Document arm's length nature of intercompany transactions through detailed economic analyses; (d) Implement advance pricing agreements where appropriate to minimize tax risks; (e) Maintain comprehensive intercompany agreements detailing the nature and scope of transactions.

5.2 IP Ownership and Taxation The Company shall: (a) Maintain clear documentation of IP ownership rights across all jurisdictions; (b) Structure international licensing arrangements in compliance with local tax regulations; (c) Consider tax implications of IP development activities and cost-sharing arrangements; (d) Document development, enhancement, maintenance, protection, and exploitation (DEMPE) functions; (e) Review IP valuation methodologies annually for tax compliance purposes; (f) Maintain contemporaneous documentation supporting IP-related tax positions.

5.3 Cross-Border Service Provisions The Company shall: (a) Establish clear service agreements for all cross-border activities; (b) Document the business purpose and economic substance of service arrangements; (c) Maintain appropriate allocation keys for shared service costs; (d) Review permanent establishment risks regularly; (e) Monitor withholding tax

obligations on cross-border payments; (f) Implement procedures for identifying and reporting treaty-based positions.

5.4 VAT Considerations For European operations, the Company shall: (a) Register for VAT where required by local regulations; (b) Charge and collect VAT appropriately on all qualifying transactions; (c) Maintain required VAT documentation for the prescribed retention period; (d) Submit timely VAT returns and EC Sales Lists where applicable; (e) Implement procedures for reverse charge mechanisms; (f) Monitor distance selling thresholds and registration requirements; (g) Document VAT treatment of complex transactions; (h) Maintain evidence supporting zero-rating or exemption claims.

5.5 Compliance and Reporting The Company shall: (a) Monitor changes in international tax laws and regulations; (b) Maintain documentation supporting tax positions for at least seven years; (c) Implement procedures for identifying reportable cross-border arrangements; (d) Review tax residence status of group entities annually; (e) Prepare country-by-country reporting where applicable; (f) Document controlled foreign corporation analyses; (g) Maintain transfer pricing master file and local files as required; (h) Review and document application of anti-hybrid rules.

EXHIBITS

Exhibit A: State Nexus Analysis Exhibit B: R&D Tax Credit Documentation Requirements
Exhibit C: Transfer Pricing Methodology

SIGNATURE BLOCK

IN WITNESS WHEREOF, this Tax Matters Document has been executed as of the date first written above.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

ATTEST:

Corporate Secretary