

# **TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION**

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION (this "Certificate") 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 (the "Company").

WHEREAS, the Company develops and licenses proprietary artificial intelligence software solutions for industrial applications;

WHEREAS, the Company desires to certify certain tax matters relating to its operations, compliance status, and obligations; and

WHEREAS, this Certificate shall serve as formal documentation of the Company's tax positions and compliance framework.

NOW, THEREFORE, the Company hereby certifies, represents, and warrants as follows:

## **1.0 TAX MATTERS CERTIFICATE**

### **1.1 Entity Classification**

The Company hereby certifies that it is treated as a C-corporation for U.S. federal income tax purposes pursuant to its incorporation under Delaware General Corporation Law and has not made any election to be treated as an S-corporation or any other alternative tax classification. The Company maintains this classification continuously since its date of incorporation and acknowledges its responsibility to notify relevant parties of any future changes to its tax classification status within 30 days of such change.

### **1.2 Tax Residency**

The Company confirms its tax residency in the United States and maintains substantial business operations in Delaware, California, Massachusetts, and Texas, creating nexus for state tax purposes in these jurisdictions. The Company maintains physical offices, employs personnel, and conducts regular business activities sufficient to establish substantial nexus under the respective state laws. Furthermore, the Company complies with all state-specific tax registration, reporting, and payment requirements in these jurisdictions.

### **1.3 FATCA Status**

The Company certifies its status as a U.S. Person as defined under the Foreign Account Tax Compliance Act ("FATCA") and is not subject to FATCA withholding requirements. The Company maintains appropriate documentation, including Form W-9, to substantiate this status and provides such documentation to financial institutions and other relevant parties as required by applicable regulations.

### **1.4 Sales Tax Nexus**

The Company acknowledges sales tax collection and remittance obligations in jurisdictions where its SaaS offerings create economic nexus under applicable state laws, including but not limited to thresholds established under *South Dakota v. Wayfair, Inc.* The Company specifically monitors and complies with state-specific economic nexus thresholds, including both revenue and transaction volume metrics. For its SaaS products, the Company applies appropriate taxability determinations based on each jurisdiction's specific treatment of software and digital goods. The Company maintains automated systems for tax calculation, collection, and remittance, and conducts periodic reviews to ensure compliance with evolving state tax requirements and nexus standards.

### **1.5 Documentation Requirements**

The Company maintains all necessary documentation to support its tax positions, including corporate tax returns, sales tax returns, nexus studies, and internal policies governing tax compliance procedures. These records are retained for the period required by applicable federal and state laws.

## **2.0 TAX REPRESENTATIONS AND WARRANTIES**

### **2.1 Federal Income Tax Compliance**

(a) The Company represents that all required federal income tax returns have been timely filed for all tax years since incorporation, including all necessary schedules, attachments, and information returns. (b) All federal income taxes shown as due on such returns have been paid or adequately reserved for on the Company's financial statements in accordance with GAAP principles. (c) No federal tax audits or examinations are currently pending or threatened, and all prior audits have been resolved with no material adjustments. (d) The Company maintains comprehensive documentation supporting all tax positions, including those relating to software development costs capitalization and revenue recognition methodologies.

## **2.2 State and Local Tax Compliance**

(a) The Company maintains active tax registrations in all states where required by nexus thresholds, including economic nexus provisions triggered by digital product sales. (b) All state income, franchise, and sales tax returns have been properly filed, with all supporting documentation retained for the applicable statute of limitations periods. (c) The Company's SaaS revenue is properly sourced according to each state's specific rules regarding cloud computing and digital goods, with documented methodologies for: (i) User location determination (ii) Multiple points of use allocation (iii) Benefit receipt location tracking (d) The Company maintains real-time monitoring of state nexus thresholds and implements immediate registration procedures when triggered.

## **2.3 International Tax Obligations**

(a) The Company complies with transfer pricing requirements for international transactions with its subsidiaries, maintaining contemporaneous documentation including: (i) Functional and risk analyses (ii) Economic studies supporting pricing methodologies (iii) Intercompany agreements and contracts (b) All required international information returns have been filed with the IRS, including Forms 5471, 5472, 8858, and 8865 as applicable. (c) The Company maintains documentation supporting its cross-border pricing methodologies, including: (i) Cost-sharing arrangements for software development (ii) Service level agreements for technical support (iii) License agreements for intellectual property rights

## **2.4 R&D Tax Credit Qualification**

The Company represents that its artificial intelligence and software development activities qualify for federal and state R&D tax credits under applicable regulations and guidance, including: (a) Technical uncertainty requirements, documented through: (i) Project planning documents (ii) Technical specifications (iii) Testing protocols and results (b) Process of experimentation documentation, maintained through: (i) Development lifecycle records (ii) Alternative design considerations (iii) Systematic evaluation procedures (c) Qualified research expenses tracking, including: (i) Direct labor cost allocation (ii) Contractor expenses (iii) Cloud computing costs (d) Contemporary documentation maintenance, encompassing: (i) Time tracking systems (ii) Project management software records (iii) Version control system logs (e) Regular review and validation of R&D activities by qualified technical personnel and tax professionals to ensure ongoing compliance with qualification requirements.

## **3.0 TAX COVENANTS**

### **3.1 Tax Return Filing Obligations**

The Company covenants to: (a) File all required tax returns timely, including extensions (b) Maintain appropriate documentation supporting all tax positions (c) Engage qualified tax

professionals for complex matters (d) Review and update tax compliance procedures annually (e) Submit quarterly estimated tax payments as required by law (f) Monitor changes in tax legislation affecting operations (g) Implement internal controls for accurate tax reporting (h) Conduct periodic reviews of tax classification determinations

### **3.2 Record Retention Requirements**

The Company shall: (a) Maintain tax records for minimum statutory periods (b) Preserve digital documentation of software development activities (c) Retain supporting documentation for R&D credit claims (d) Archive international tax documentation as required (e) Implement secure electronic storage systems for tax records (f) Maintain detailed transfer pricing documentation (g) Document methodology for expense allocations (h) Preserve records of intercompany transactions and agreements

### **3.3 Tax Audit Cooperation**

The Company agrees to: (a) Promptly respond to tax authority inquiries (b) Provide requested documentation timely (c) Engage appropriate professional representation (d) Maintain audit defense files (e) Prepare annual tax risk assessment reports (f) Document significant tax positions and related analysis (g) Cooperate with external auditors on tax matters (h) Maintain communication protocols for tax authorities

### **3.4 International Tax Compliance**

The Company shall: (a) Monitor permanent establishment exposure (b) Maintain contemporaneous transfer pricing documentation (c) File country-by-country reports as required (d) Review intercompany agreements annually (e) Document economic substance of international operations (f) Monitor foreign tax credit positions (g) Comply with controlled foreign corporation rules (h) Review withholding tax obligations regularly

### **3.5 Special Industry Considerations**

The Company commits to: (a) Document software development activities for tax purposes (b) Track qualified research expenses systematically (c) Maintain state nexus determination documentation (d) Review digital service tax obligations (e) Document cryptocurrency transactions and positions (f) Monitor sales tax collection obligations for digital goods (g) Review tax implications of intellectual property holdings (h) Maintain documentation for technology export controls

### **3.6 Compliance Monitoring**

The Company shall: (a) Conduct quarterly tax compliance reviews (b) Report material tax matters to the Board (c) Update tax risk management procedures annually (d) Monitor tax authority guidance and rulings (e) Document significant tax planning decisions (f) Review tax

provision calculations quarterly (g) Maintain tax controversy management procedures (h) Document tax positions affecting financial statements

## **4.0 SPECIAL TAX CONSIDERATIONS**

### **4.1 Intellectual Property Development**

(a) The Company's IP development costs are properly characterized for tax purposes, including segregation of qualified research expenses from routine development activities. (b) Software development expenses are appropriately capitalized or expensed according to Treasury Regulation §1.174-2(a)(1). (c) AI algorithm development follows IRS guidance on computer software, with particular attention to Notice 2002-8 requirements. (d) Machine learning model training costs are evaluated for appropriate tax treatment under Revenue Procedure 2000-50. (e) Patent and intellectual property registration costs are amortized over their expected useful life.

### **4.2 Software Revenue Recognition**

(a) SaaS revenue is recognized in accordance with ASC 606, with specific documentation of the five-step revenue recognition model. (b) Performance obligations are properly identified and tracked through automated systems. (c) Multi-element arrangements are appropriately allocated using standalone selling prices. (d) Contract modifications are evaluated for tax implications under Treasury Regulation §1.451-1. (e) Deferred revenue treatment follows specific state tax authority guidance.

### **4.3 Cloud Computing Implications**

(a) Data center locations are considered for state tax purposes, including nexus determination and apportionment calculations. (b) Cloud infrastructure costs receive appropriate tax treatment under the final tangible property regulations. (c) Cross-border data flows are monitored for tax implications, including transfer pricing considerations. (d) Virtual presence standards are evaluated for each jurisdiction where services are provided. (e) Infrastructure-as-a-Service (IaaS) expenses are classified according to Revenue Ruling 2018-29.

### **4.4 Technology Incentives**

The Company actively monitors and claims: (a) State technology development credits, including qualified research activities under IRC §41 (b) Federal R&D incentives, with contemporaneous documentation of qualifying activities (c) Enterprise zone benefits applicable to technology operations (d) Employment tax credits for technical staff, including WOTC and state-specific programs (e) Green energy credits for data center operations under IRC §48

#### **4.5 International Tax Considerations**

(a) GILTI provisions are monitored for foreign-derived intangible income (b) Transfer pricing documentation maintains compliance with IRC §482 (c) Digital services taxes are tracked and evaluated in applicable jurisdictions (d) International data hosting arrangements are structured to optimize tax efficiency (e) Permanent establishment risk is assessed for cross-border technical services

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the Effective Date.

[Signature block and exhibits remain as in original]