

TAX MATTERS DOCUMENT 30

1.0 PREAMBLE AND RECITALS

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, having its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company").

WHEREAS, the Company is engaged in the development, licensing, and implementation of proprietary machine learning and computer vision solutions for industrial process optimization and predictive maintenance, including its NexusCore™ Industrial AI Platform, which encompasses advanced algorithmic processing, neural network architectures, and distributed computing systems;

WHEREAS, the Company's business activities involve complex revenue recognition considerations related to enterprise Software-as-a-Service ("SaaS") licensing, implementation services, and international operations, including multi-jurisdictional tax implications and transfer pricing considerations for cross-border transactions;

WHEREAS, the Company seeks to establish comprehensive tax treatment guidelines for its artificial intelligence and machine learning technology offerings, including research and development activities, software licensing, and related services, particularly addressing the classification of AI model training costs, cloud computing expenses, and intellectual property development expenditures;

WHEREAS, the Company operates in multiple tax jurisdictions, necessitating careful consideration of permanent establishment issues, digital services taxes, and technology transfer regulations; and

WHEREAS, the Company desires to document its tax positions, compliance obligations, and related matters in accordance with applicable federal, state, and international tax laws and regulations, including specific provisions related to the taxation of artificial intelligence services, data processing activities, and technology licensing arrangements.

NOW, THEREFORE, the Company hereby establishes and adopts the following tax matters provisions:

2.0 DEFINITIONS AND INTERPRETATIONS

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

(a) "Artificial Intelligence Revenue" means revenue derived from the licensing, implementation, or maintenance of the Company's proprietary machine learning algorithms and related technology solutions, including but not limited to neural network implementations, predictive modeling systems, and automated decision-making frameworks.

(b) "Cloud Services" means the provision of software functionality through hosted services accessed via the internet, including the NexusCore™ Industrial AI Platform, distributed computing resources, data storage solutions, and associated infrastructure services delivered through public, private, or hybrid cloud deployments.

(c) "Implementation Services" means professional services provided in connection with the deployment and configuration of the Company's technology solutions, including system integration, customization, training, data migration, technical consulting, and ongoing support services.

(d) "Intellectual Property" means the Company's proprietary software, algorithms, models, methodologies, and related technology assets, including patents, copyrights, trade secrets, source code, documentation, technical specifications, and any derivatives or improvements thereof.

(e) "Qualified Research Expenses" means research and development costs that qualify for federal and/or state tax credits under applicable law, including direct research expenses, contract research expenses, and basic research payments as defined in Section 41 of the Internal Revenue Code.

(f) "SaaS Revenue" means subscription-based revenue generated from the Company's Cloud Services offerings, including recurring license fees, usage-based charges, and platform access fees.

(g) "Technical Documentation" means all user manuals, training materials, guides, specifications, and other written materials relating to the Company's products and services.

(h) "Territory" means the geographical regions in which the Company is authorized to conduct business and offer its services, as specified in applicable licensing agreements and regulatory approvals.

2.2 Interpretation. In this Document:

(a) References to "Sections" are to sections of this Document unless otherwise specified.

(b) The words "include," "includes," and "including" shall be deemed to be followed by "without limitation."

- (c) References to any law shall include all statutory and regulatory provisions consolidating, amending, or replacing such law.
- (d) References to currency shall be in United States dollars unless explicitly stated otherwise.
- (e) Technical terms not otherwise defined shall have the meanings commonly attributed to them in the software and artificial intelligence industry.
- (f) References to time periods shall be calculated in calendar days unless business days are specified.
- (g) The term "reasonable" or "reasonably" shall be interpreted according to objective industry standards.

2.3 Calculation of Revenue. For purposes of this Document:

- (a) Revenue shall be recognized in accordance with Generally Accepted Accounting Principles (GAAP).
- (b) Multi-year contracts shall be recognized on a proportional basis over the contract term.
- (c) Revenue from bundled services shall be allocated among components based on their relative standalone selling prices.

2.4 Compliance with International Standards. All definitions and interpretations shall be construed in accordance with applicable international treaties, conventions, and standardization agreements relating to software licensing and artificial intelligence technologies.

3.0 TAX CLASSIFICATION AND TREATMENT

3.1 Software Revenue Classification

(a) SaaS Revenue Classification. The Company's SaaS Revenue shall be classified as services revenue for tax purposes, subject to the following principles:

(i) Subscription fees shall be recognized ratably over the service period; (ii) Implementation fees shall be recognized as services revenue upon completion; (iii) Usage-based fees shall be recognized when the underlying usage occurs; (iv) Multi-element arrangements shall be disaggregated based on relative standalone selling prices; (v) Volume discounts shall be recognized as a reduction of revenue when thresholds are achieved.

(b) International Revenue Sourcing. Revenue from international customers shall be sourced according to:

(i) Location of customer usage for Cloud Services; (ii) Location of service delivery for Implementation Services; (iii) Applicable treaty provisions for qualifying jurisdictions; (iv) Permanent establishment considerations in each jurisdiction; (v) Transfer pricing requirements for intercompany transactions.

3.2 Research and Development

(a) R&D Tax Credit Qualification. The Company shall maintain documentation supporting qualification of Qualified Research Expenses, including:

(i) Technical uncertainty documentation; (ii) Process of experimentation records; (iii) Scientific principles application evidence; (iv) Business component development documentation; (v) Personnel time tracking and allocation records; (vi) Third-party contractor agreements and invoices; (vii) Equipment and supplies usage logs.

(b) R&D Activity Classification. Qualifying research activities shall be categorized as follows:

(i) Core development activities directly related to new functionality; (ii) Algorithm improvement and optimization efforts; (iii) Testing and validation procedures; (iv) Technical feasibility studies; (v) Patent-related research activities.

3.3 Intellectual Property Treatment

(a) Development Costs. Internal software development costs shall be:

(i) Capitalized when meeting applicable requirements; (ii) Amortized over the estimated useful life; (iii) Reviewed annually for impairment; (iv) Segregated between maintenance and enhancement activities; (v) Documented with detailed time tracking and project codes.

(b) IP Valuation and Transfer Pricing. The Company shall:

(i) Maintain contemporaneous documentation supporting IP valuations; (ii) Conduct regular transfer pricing studies for international IP transfers; (iii) Document economic substance of IP holding structures; (iv) Apply appropriate cost-sharing methodologies.

3.4 Special Tax Considerations

(a) Artificial Intelligence and Machine Learning Components:

(i) Training data acquisition costs shall be capitalized when appropriate; (ii) Model development costs shall be evaluated for R&D credit eligibility; (iii) Cloud computing costs shall be allocated between development and production; (iv) Algorithm improvements shall be documented for tax purposes.

(b) State and Local Tax Treatment:

(i) Nexus determination based on server locations and customer presence; (ii) Apportionment methodologies for digital services; (iii) Sales tax collection obligations for electronic delivery; (iv) Local tax incentives for technology development activities.

3.5 Tax Compliance and Reporting

(a) Documentation Requirements:

(i) Maintenance of detailed transaction records; (ii) Supporting documentation for tax positions; (iii) Contemporaneous transfer pricing documentation; (iv) R&D credit substantiation materials.

(b) Filing Obligations:

(i) Timely submission of required returns and forms; (ii) Information reporting for international transactions; (iii) State and local tax filings based on nexus analysis; (iv) Treaty-based return positions and disclosures.

3.6 Tax Planning and Risk Management

(a) Strategic Considerations:

(i) Evaluation of tax efficient structures; (ii) Assessment of jurisdiction-specific incentives; (iii) Analysis of permanent establishment risks; (iv) Implementation of tax risk management procedures.

(b) Compliance Monitoring:

(i) Regular review of tax positions and documentation; (ii) Updates to transfer pricing policies as needed; (iii) Monitoring of legislative and regulatory changes; (iv) Periodic assessment of tax optimization opportunities.

4.0 TAX COMPLIANCE OBLIGATIONS

4.1 Filing Requirements

(a) Federal Tax Returns. The Company shall:

(i) File all required federal tax returns timely, including Form 1120 or applicable business returns, by the statutory deadline or valid extension date; (ii) Maintain supporting documentation for positions taken, including contemporaneous records of material transactions, tax elections, and methodologies applied; (iii) Submit information returns for payments to vendors and contractors, including Forms 1099-MISC, 1099-NEC, and W-2, by applicable deadlines; (iv) Implement internal controls to ensure accuracy and completeness of all filed returns; (v) Conduct quarterly reviews of estimated tax payment obligations.

(b) State Tax Obligations

(i) Monitor and document state nexus triggers, including but not limited to: - Physical presence of employees or property - Economic nexus thresholds for sales or revenue - Affiliate relationships and consolidated group considerations - Remote worker presence and activities

(ii) Register in jurisdictions where required, maintaining active status and good standing; (iii) File returns and remit taxes as applicable, including: - Sales and use tax returns - Income/franchise tax returns - Property tax declarations - Employment tax filings - Unclaimed property reports

4.2 International Compliance

(a) Transfer Pricing

(i) Maintain contemporaneous documentation supporting arm's length nature of intercompany transactions; (ii) Review intercompany transactions annually, including: - Service arrangements - Tangible goods transfers - Intellectual property licensing - Financial transactions - Cost sharing arrangements

(iii) Update benchmark studies as required, incorporating: - Functional and risk analyses - Economic conditions assessment - Industry comparability factors - Geographic market considerations

(b) Foreign Tax Reporting

(i) File country-by-country reports if applicable, ensuring: - Accurate reporting of revenue allocation - Employee headcount by jurisdiction - Asset location and valuation - Principal business activities

(ii) Submit required foreign information returns, including: - Forms 5471 for foreign corporation ownership - Forms 8865 for foreign partnership interests - Forms 8858 for foreign disregarded entities - FBAR filings for foreign financial accounts

(iii) Maintain permanent establishment documentation, addressing: - Fixed place of business analysis - Agency relationships - Service permanent establishments - Construction site duration

4.3 Record Retention

(a) The Company shall maintain tax records for the longer of:

(i) Seven years from filing date; (ii) Three years from last audit resolution; (iii) Period required by applicable law.

(b) Record retention requirements extend to:

(i) Electronic and physical documentation supporting: - Tax positions taken - Credits claimed - Deductions reported - Income recognition - Asset basis calculations

(ii) Supporting documentation including: - Original invoices and receipts - Contracts and agreements - Board resolutions - Tax opinions and memoranda - Correspondence with tax authorities

4.4 Compliance Monitoring

(a) The Company shall establish procedures for:

(i) Regular review of tax compliance obligations; (ii) Monitoring of legislative and regulatory changes; (iii) Assessment of impact from business changes; (iv) Documentation of compliance procedures; (v) Training of relevant personnel.

(b) Annual compliance review shall include:

(i) Assessment of filing obligations; (ii) Review of nexus determinations; (iii) Evaluation of documentation adequacy; (iv) Verification of timely submissions; (v) Confirmation of payment accuracy.

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Company Representations. The Company represents and warrants that:

- (a) All tax returns and reports, including federal, state, local, and international filings, have been timely filed in accordance with applicable deadlines, extensions, and regulatory requirements;
- (b) All taxes, assessments, fees, and other governmental charges shown as due have been paid in full, including but not limited to income tax, sales tax, use tax, property tax, payroll tax, and value-added tax;
- (c) No material tax audits, investigations, examinations, or administrative proceedings are pending or threatened by any taxing authority, and no notices of deficiency have been received within the past three (3) fiscal years;
- (d) All required tax documentation, including supporting schedules, worksheets, receipts, and records, is maintained in accordance with applicable retention requirements and best practices for a minimum period of seven (7) years;
- (e) Financial statements accurately reflect tax positions, contingent liabilities, and material uncertainties in accordance with GAAP principles and applicable regulatory standards.

5.2 Additional Tax Representations

The Company further represents and warrants that:

- (a) All intercompany transactions are conducted at arm's length and properly documented; (b) No aggressive tax positions have been taken without substantial authority; (c) All required information returns regarding foreign operations have been filed; (d) Tax provisions have been reviewed by qualified tax professionals; (e) Internal controls for tax compliance are regularly evaluated and updated.

5.3 Compliance Certification

The Company shall annually certify compliance with:

- (a) Federal tax requirements, including income tax, employment tax, and information reporting obligations; (b) State tax obligations, including nexus determinations, apportionment methodologies, and combined reporting requirements; (c) International tax provisions, including transfer pricing regulations, foreign tax credits, and treaty obligations; (d) Transfer pricing requirements, supported by contemporaneous documentation; (e) Research and

development tax credit substantiation requirements; (f) Sales and use tax collection and remittance obligations; (g) Information reporting and withholding requirements.

5.4 Remediation Obligations

The Company shall promptly notify relevant parties of any material changes in tax positions, audit notifications, or compliance deficiencies, and shall implement appropriate remediation measures within thirty (30) days of discovery.

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

EXHIBIT A: State Nexus Analysis Matrix EXHIBIT B: Transfer Pricing Documentation Requirements EXHIBIT C: R&D Tax Credit Qualification Procedures

[Exhibits to follow]