FINANCIAL CONTROLS AND REPORTING POLICY

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WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation (the "Company"), develops and provides artificial intelligence and machine learning software solutions for industrial applications;

WHEREAS, the Company desires to establish comprehensive financial controls and reporting procedures that address the unique aspects of its technology-driven business model;

WHEREAS, the Company must ensure compliance with ASC 606, GAAP standards, and other applicable accounting regulations while properly recognizing revenue from its AI-powered software solutions;

NOW, THEREFORE, the Company hereby adopts the following Financial Controls and Reporting Policy:

1.0 FINANCIAL CONTROLS AND REPORTING FRAMEWORK

1.1 Revenue Recognition Standards

(a) The Company shall recognize revenue from its NexusCore™ Industrial AI Platform and related solutions in accordance with ASC 606, following the 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) Software License Revenue shall be recognized upon delivery of access credentials to the customer's authorized instance of the NexusCore™ platform, subject to: (i) Verification of customer's technical readiness (ii) Completion of security protocols and access controls (iii) Documentation of customer acceptance criteria (iv) Establishment of monitoring mechanisms for usage tracking

(c) Subscription Services Revenue shall be recognized ratably over the subscription term, commencing upon customer acceptance of the deployed solution, with consideration for: (i) Pro-rata adjustments for partial period implementations (ii) Usage-based pricing components (iii) Service level agreement compliance (iv) Platform availability metrics

1.2 Professional Services Treatment

(a) Implementation Services Revenue shall be recognized over time as services are performed, measured by: (i) Labor hours expended (ii) Project milestones achieved (iii) Customer acceptance of deliverables (iv) Documentation of completion criteria

(b) Training Services Revenue shall be recognized upon completion of scheduled training sessions, subject to: (i) Attendance verification (ii) Competency assessments (iii) Delivery of training materials (iv) Customer satisfaction metrics

1.3 Multi-element Arrangements

(a) For contracts containing multiple performance obligations, the Company shall: (i) Determine standalone selling prices for each element (ii) Allocate transaction price based on relative standalone selling prices (iii) Apply appropriate recognition criteria to each element (iv) Document allocation methodologies

1.4 Revenue Adjustments and Modifications

(a) The Company shall establish procedures for handling: (i) Contract modifications (ii) Price adjustments (iii) Service level credits (iv) Usage-based variations (v) Early termination provisions

(b) All revenue adjustments must be: (i) Documented with supporting evidence (ii) Approved by authorized personnel (iii) Recorded in the appropriate accounting period (iv) Reflected in customer billing records

1.5 Reporting Requirements

(a) The Company shall maintain detailed revenue records including: (i) Contract documentation (ii) Performance obligation tracking (iii) Revenue recognition schedules (iv) Billing and collection records

(b) Monthly reporting requirements shall include: (i) Revenue by product/service category (ii) Deferred revenue schedules (iii) Contract asset/liability positions (iv) Customer acceptance documentation

1.6 Internal Controls

(a) The Company shall implement controls to ensure: (i) Proper separation of duties (ii) Accurate revenue recognition timing (iii) Compliance with accounting standards (iv) Documentation retention

(b) Regular reviews shall be conducted of: (i) Revenue recognition calculations (ii) Contract terms and conditions (iii) Performance obligation satisfaction (iv) System access controls

1.7 Audit Requirements

(a) The Company shall maintain audit trails for: (i) Revenue recognition decisions (ii) Pricing modifications (iii) Contract amendments (iv) Customer acceptance documentation

(b) External auditor access shall be provided to: (i) Revenue recognition schedules (ii) Supporting documentation (iii) System generated reports (iv) Customer contracts and correspondence

1.8 Compliance and Training

(a) The Company shall ensure: (i) Regular staff training on revenue recognition policies (ii) Documentation of policy updates (iii) Communication of procedural changes (iv) Monitoring of compliance requirements

(b) Annual reviews shall be conducted of: (i) Revenue recognition procedures (ii) Control effectiveness (iii) Policy compliance (iv) Training requirements

2.0 TECHNOLOGY ASSET VALUATION METHODOLOGY

2.1 Capitalization of AI Development Costs

(a) The Company shall capitalize costs related to AI/ML algorithm development when: (i) Technical feasibility has been established through documented proof-of-concept (ii) Management has authorized and committed resources via formal project approval (iii) Costs can be reliably measured through detailed project accounting (iv) Future economic benefits are probable based on market analysis and revenue projections (v) The Company demonstrates ability to complete development and utilize the asset

(b) Capitalizable costs include: (i) Direct labor for coding and testing, including salary and benefits of technical personnel (ii) Third-party development services contracted specifically for the project (iii) Data acquisition and preparation costs, including data licensing and cleaning (iv) Cloud computing resources used in development phases (v) Software tools and licenses directly attributable to development (vi) Patent and intellectual property registration costs

(c) Non-capitalizable costs encompass: (i) General administrative overhead (ii) Training and general skill development (iii) Preliminary research and planning (iv) Post-implementation maintenance (v) Marketing and promotional activities

2.2 Intellectual Property Valuation

(a) Proprietary AI/ML algorithms shall be valued using: (i) Cost approach for internally developed assets, incorporating: - Direct development costs - Opportunity costs - Risk-adjusted capital charges - Technology replacement considerations

(ii) Market approach for acquired technologies, considering: - Comparable transaction analysis - Industry-specific multiples - Adjustment for unique features - Market condition variables

(iii) Income approach for revenue-generating algorithms, including: - Projected revenue streams - Cost savings calculations - Risk-weighted discount rates - Terminal value estimations

(b) Annual impairment testing shall be conducted using: (i) Discounted cash flow analysis incorporating: - Updated revenue projections - Operating cost assumptions - Technology lifecycle assessment - Market competition factors

(ii) Market comparables analysis considering: - Recent industry transactions - Peer company valuations - Technology adoption rates - Market share metrics

(iii) Technology obsolescence assessment evaluating: - Technical advancement rates - Competitive technology emergence - Regulatory environment changes - User adoption patterns

2.3 Valuation Review and Documentation

(a) The Company shall maintain comprehensive documentation including: (i) Detailed valuation calculations and assumptions (ii) Supporting market research and analysis (iii) Technical assessment reports (iv) Third-party valuation opinions when required

(b) Periodic valuation reviews shall be conducted: (i) Quarterly for material technology assets (ii) Upon significant market or technological changes (iii) When triggering events indicate potential impairment (iv) As required by regulatory authorities

(c) Valuation methodologies shall be reviewed annually to ensure: (i) Compliance with current accounting standards (ii) Alignment with industry best practices (iii) Appropriateness for evolving technology landscape (iv) Consistency with Company's business objectives

3.0 SUBSCRIPTION REVENUE RECOGNITION PROCEDURES

3.1 Performance Obligation Identification

(a) Each subscription contract shall be analyzed to identify distinct performance obligations: (i) Software access rights (ii) Maintenance and support (iii) Usage-based processing fees (iv) Professional services

(b) Performance obligations shall be evaluated based on the following criteria: (i) The customer can benefit from the good or service either on its own or together with other readily available resources (ii) The promise to transfer the good or service is separately identifiable from other promises in the contract (iii) The obligation represents a material right that would not exist without the underlying contract

(c) Bundled services shall be assessed for separation when: (i) Services have standalone value to the customer (ii) There is a regular pattern of standalone sales (iii) Different performance timelines exist for various components

3.2 Contract Modifications

(a) Contract modifications shall be evaluated to determine whether they constitute: (i) Separate contracts (ii) Termination of existing and creation of new contract (iii) Modification of existing contract

(b) Assessment criteria for modification classification: (i) Presence of additional distinct performance obligations (ii) Pricing at standalone selling price (iii) Remaining performance obligations (iv) Material changes to scope or price

(c) Documentation requirements for modifications: (i) Written authorization from authorized parties (ii) Revised performance obligation schedule (iii) Updated pricing terms and allocation (iv) Amendment effective dates

3.3 Usage-Based Revenue

(a) Usage-based fees shall be recognized based on: (i) Actual customer usage (ii) Minimum commitment levels (iii) Variable consideration constraints

(b) Measurement and tracking requirements: (i) Real-time usage monitoring systems (ii) Monthly reconciliation procedures (iii) Usage threshold notifications (iv) Excess usage calculations

(c) Variable consideration constraints shall be evaluated through: (i) Historical usage patterns (ii) Predictive analytics (iii) Customer-specific factors (iv) Market conditions

3.4 Revenue Recognition Timing

(a) Recognition criteria for subscription components: (i) Access rights recognized ratably over subscription term (ii) Setup fees amortized over expected customer relationship (iii) Usage-based fees recognized upon consumption (iv) Professional services recognized as delivered

(b) Specific timing considerations: (i) Contract start and end dates (ii) Billing cycles versus performance periods (iii) Multi-year contract provisions (iv) Renewal terms and conditions

3.5 Documentation Requirements

(a) Required documentation for revenue recognition: (i) Executed contracts and amendments (ii) Performance obligation identification analysis (iii) Transaction price allocation calculations (iv) Usage reports and reconciliations (v) Revenue recognition schedules

(b) Retention requirements: (i) Seven-year minimum retention period (ii) Electronic and physical storage requirements (iii) Audit trail maintenance (iv) Access controls and security measures

4.0 COMPLIANCE AND AUDIT REQUIREMENTS

4.1 SOC 2 Compliance

(a) The Company shall maintain SOC 2 Type II compliance covering: (i) Security (ii) Availability (iii) Processing integrity (iv) Confidentiality (v) Privacy

(b) Annual SOC 2 attestation reports shall be: (i) Conducted by an independent third-party auditor (ii) Completed within 90 days of fiscal year-end (iii) Distributed to authorized stakeholders (iv) Remediated for identified deficiencies within 60 days

4.2 Revenue Audit Requirements

(a) The Company shall maintain detailed audit trails for: (i) Contract execution and modifications (ii) Performance obligation satisfaction (iii) Revenue recognition events (iv) Cash collections

(b) Audit documentation shall include: (i) AI/ML model performance metrics (ii) Usage-based billing calculations (iii) Revenue allocation methodologies (iv) Contract modification impact assessments (v) Multi-element arrangement documentation

(c) Retention requirements: (i) Digital records maintained for seven (7) years (ii) Audit trails preserved in immutable format (iii) Access logs retained for five (5) years

4.3 Internal Controls

(a) The Company shall document and test internal controls over: (i) Revenue recognition (ii) Technology asset valuation (iii) Financial reporting (iv) Regulatory compliance

(b) Control documentation shall include: (i) Control objectives and design (ii) Testing procedures and frequency (iii) Remediation protocols (iv) Evidence retention requirements

4.4 Compliance Monitoring

(a) The Company shall establish: (i) Quarterly compliance reviews (ii) Monthly control testing schedules (iii) Real-time monitoring systems (iv) Automated compliance alerts

(b) Reporting requirements: (i) Monthly compliance dashboards (ii) Quarterly attestation reports (iii) Annual certification statements (iv) Exception reporting within 24 hours

4.5 Third-Party Assessments

(a) Independent assessments required for: (i) AI/ML revenue recognition methods (ii) Technology asset valuations (iii) Control environment effectiveness (iv) Regulatory compliance status

(b) Assessment frequency: (i) Annual comprehensive review (ii) Semi-annual control testing (iii) Quarterly compliance updates