

## **TAX MATTERS DOCUMENT 33**

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 with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company") (EIN: 81-3456789).

WHEREAS, the Company develops and commercializes proprietary artificial intelligence and machine learning solutions for industrial applications through its NexusCore™ platform;

WHEREAS, the Company generates revenue through enterprise software licensing, implementation services, and related activities across multiple jurisdictions;

WHEREAS, the Company seeks to document and establish standardized treatment of various tax matters related to its business operations; and

WHEREAS, this Document shall serve as the definitive record of the Company's positions regarding certain tax matters.

NOW, THEREFORE, the Company hereby adopts and establishes the following:

### **1.0 PREAMBLE AND RECITALS**

1.1 This Document shall be known as Tax Matters Document 33 and constitutes an official record of the Company's tax positions and methodologies, pursuant to Internal Revenue Code Section 6662-3 and associated Treasury Regulations.

1.2 The Company, incorporated in Delaware on March 15, 2017, under File Number 6374829, develops and commercializes the NexusCore™ Industrial AI Platform and related technology solutions, operating under Federal Employer Identification Number 82-3749102.

1.3 The Company maintains its headquarters and principal place of business at 1200 Corporate Boulevard, Suite 400, Wilmington, Delaware 19801, with additional operations in various North American and European jurisdictions, including registered branch offices in California, Texas, Germany, and the United Kingdom.

1.4 This Document addresses tax matters related to the Company's: (a) Software licensing and subscription revenue (b) Implementation services (c) International operations (d) Research and development activities (e) Technology development and commercialization

1.5 The Company acknowledges its obligations under applicable tax treaties, transfer pricing regulations, and international tax conventions, including but not limited to the OECD Model Tax Convention and associated guidelines.

1.6 This Document serves as the primary reference for tax positions taken by the Company in all jurisdictions where it conducts business, maintains assets, or derives income, effective from the date of incorporation.

1.7 The Company maintains compliance with state and local tax regulations in all operational jurisdictions, including sales and use tax obligations, property tax assessments, and employment tax requirements.

1.8 All monetary amounts referenced herein shall be denominated in United States Dollars (USD) unless explicitly stated otherwise.

## **2.0 DEFINITIONS AND INTERPRETATIONS**

2.1 "SaaS Revenue" means revenue derived from subscription-based access to and licensing of the NexusCore™ platform, including all modules and capabilities thereof. This encompasses: (a) Recurring subscription fees (b) Usage-based charges (c) Platform access licenses (d) Module-specific fees (e) API access charges

2.2 "Implementation Services" means professional services provided in connection with the deployment, configuration, and optimization of the NexusCore™ platform, including but not limited to: (a) Initial platform setup and configuration (b) Data migration and integration services (c) Custom workflow development (d) User training and onboarding (e) System optimization and performance tuning

2.3 "Qualified Research Expenses" or "QREs" means expenses that qualify for research tax credits under applicable law, specifically including: (a) Wages for qualified services, encompassing direct research activities, direct supervision, and direct support (b) Supplies used in research, including materials, prototypes, and testing equipment (c) Contract research expenses, subject to the 65% limitation rule (d) Basic research payments to qualified organizations (e) Cloud computing expenses directly related to research activities

2.4 "AI/ML Technology" means the Company's proprietary artificial intelligence and machine learning algorithms, methodologies, and related intellectual property, including: (a) Neural network architectures (b) Training datasets and models (c) Inference engines and processing systems (d) Algorithm optimization techniques (e) Machine learning frameworks

2.5 "International Revenue" means revenue derived from customers located outside the United States, categorized as: (a) Direct international sales (b) Revenue through foreign subsidiaries (c) Partner-generated international revenue (d) Foreign currency transactions (e) Cross-border service fees

2.6 "Transfer Pricing" means the pricing methodology applied to intercompany transactions across international jurisdictions, including: (a) Cost-plus arrangements (b) Comparable uncontrolled price methods (c) Transactional net margin methods (d) Profit split approaches (e) Service cost methods

2.7 "Revenue Recognition Criteria" means the conditions that must be met to recognize revenue under applicable accounting standards, including: (a) Identification of customer contracts (b) Performance obligations determination (c) Transaction price establishment (d) Allocation of consideration (e) Recognition timing requirements

2.8 "Tax Jurisdiction" means any governmental authority with the power to levy taxes, including: (a) Federal tax authorities (b) State and local tax agencies (c) Foreign tax authorities (d) Special tax districts (e) International tax bodies

2.9 For purposes of interpretation: (a) Words importing the singular include the plural and vice versa (b) References to laws include amendments and replacements (c) Headings are for convenience only (d) Examples are illustrative, not exhaustive (e) Technical terms carry their industry-standard meanings

### **3.0 TAX TREATMENT OF SOFTWARE LICENSING**

3.1 SaaS Revenue Classification (a) The Company's SaaS Revenue shall be classified as recurring revenue for tax purposes, subject to the following conditions: (i) Monthly subscription fees shall be recognized as they become due and payable (ii) Annual prepaid subscriptions shall be amortized over the twelve-month service period (iii) Usage-based components shall be recognized when usage occurs and is measurable (b) Revenue recognition shall occur ratably over the subscription term, in accordance with: (i) Generally Accepted Accounting Principles (GAAP) (ii) Applicable state and federal tax regulations (iii) International Financial Reporting Standards (IFRS) where required (c) Multi-year contracts shall be recognized according to ASC 606 principles, including: (i) Identification of performance obligations (ii) Determination of transaction price (iii) Allocation of price to performance obligations (iv) Recognition of revenue when obligations are satisfied

3.2 Implementation Services (a) Implementation Services revenue shall be recognized as services are performed, with: (i) Time-and-materials billing recognized upon completion of service intervals (ii) Fixed-price implementations recognized using percentage-of-completion method (iii) Milestone-based implementations recognized upon achievement of defined milestones (b) Expenses related to Implementation Services shall be deducted in the period incurred: (i) Direct labor costs (ii) Third-party contractor expenses (iii) Travel and accommodation expenses (iv) Hardware and software procurement costs (c) Mixed service contracts shall be allocated between SaaS and Implementation components: (i) Based on standalone selling prices (ii) Using objective market evidence where available (iii) Applying reasonable estimation methods where necessary

3.3 Revenue Allocation Methodology (a) The Company shall maintain detailed records supporting revenue allocation, including: (i) Documentation of pricing methodologies (ii) Market comparables and benchmarks (iii) Historical pricing data (iv) Customer-specific pricing variations (b) Allocation methodologies shall be consistently applied across all

customer contracts: (i) Using standardized allocation templates (ii) Applying uniform calculation methods (iii) Maintaining audit trails of allocation decisions (c) Changes to allocation methodologies must be documented and approved by the CFO: (i) With written justification for the change (ii) Including impact analysis on existing contracts (iii) Requiring implementation timeline and transition plan

3.4 Multi-jurisdictional Tax Considerations (a) The Company shall maintain compliance with tax regulations in all jurisdictions where: (i) Services are provided (ii) Customers are located (iii) Implementation services are performed (b) Sales tax collection and remittance obligations shall be determined based on: (i) Economic nexus thresholds (ii) Physical presence rules (iii) Service characterization in each jurisdiction (c) International tax considerations shall include: (i) Value Added Tax (VAT) requirements (ii) Permanent establishment implications (iii) Transfer pricing compliance (iv) Withholding tax obligations

3.5 Tax Reporting and Documentation (a) The Company shall maintain comprehensive tax documentation including: (i) Revenue recognition schedules (ii) Allocation worksheets (iii) Supporting calculations (iv) Jurisdiction-specific tax determinations (b) Regular tax compliance reviews shall be conducted: (i) Quarterly internal reviews (ii) Annual external audits (iii) Jurisdiction-specific tax audits as required (c) Tax positions shall be documented with: (i) Technical memoranda (ii) External tax opinions where appropriate (iii) Supporting legal analysis

3.6 Special Tax Considerations (a) Treatment of customization services: (i) Capitalization vs. expense analysis (ii) Research and development tax credits (iii) State-specific treatment (b) International customer considerations: (i) Treaty applications (ii) Cross-border service characterization (iii) Currency conversion implications (c) Tax treatment of bundled offerings: (i) Separation of components for tax purposes (ii) Application of different tax rates (iii) Documentation requirements

## **4.0 INTERNATIONAL TAX CONSIDERATIONS**

4.1 European Operations (a) The Company shall comply with all applicable VAT requirements, including: (i) Registration in jurisdictions where thresholds are exceeded (ii) Timely filing of returns and remittance of payments (iii) Maintenance of supporting documentation for seven years (iv) Implementation of compliant invoicing systems (b) Permanent establishment considerations shall be monitored and documented through: (i) Quarterly assessment of fixed place of business activities (ii) Employee activity tracking in foreign jurisdictions (iii) Regular review of service arrangements and agency relationships (iv) Documentation of management and control locations (c) Revenue sourcing shall follow established OECD principles, with: (i) Clear identification of service performance location (ii) Documentation of digital service delivery mechanisms (iii) Regular review of evolving OECD guidelines

4.2 Transfer Pricing (a) All intercompany transactions shall be conducted at arm's length, including: (i) Management service arrangements (ii) Intellectual property licensing (iii) Financing transactions (iv) Goods and merchandise transfers (b) Transfer pricing studies shall be updated annually, incorporating: (i) Functional and risk analysis (ii) Economic comparability studies (iii) Industry benchmark analysis (iv) Documentation of pricing methodologies (c) Documentation requirements shall be maintained per jurisdiction, including: (i) Master file documentation (ii) Local file documentation (iii) Country-by-country reporting where applicable (iv) Contemporaneous documentation support

4.3 International Revenue Sourcing (a) Revenue shall be sourced based on customer location, considering: (i) Principal place of business for B2B transactions (ii) Billing address for B2C transactions (iii) IP address verification for digital services (iv) Multiple points of use considerations (b) Multi-jurisdiction contracts shall be allocated based on actual usage through: (i) Detailed tracking of service consumption (ii) Regular review of allocation methodologies (iii) Documentation of allocation rationale (iv) Periodic validation of allocation factors (c) Documentation supporting sourcing decisions shall be maintained, including: (i) Customer location verification records (ii) Usage data and metrics (iii) Allocation calculations and methodologies (iv) Supporting contracts and agreements

4.4 Compliance and Reporting (a) The Company shall maintain comprehensive compliance procedures for: (i) Tax registration requirements (ii) Filing deadlines and payment schedules (iii) Record retention requirements (iv) Audit response protocols (b) Regular monitoring shall be conducted of: (i) Changes in tax legislation (ii) New reporting requirements (iii) Treaty developments (iv) Administrative guidance updates (c) Annual review shall be performed of: (i) Tax position documentation (ii) Risk assessment procedures (iii) Compliance processes (iv) Internal control frameworks

4.5 Dispute Resolution and Risk Management (a) The Company shall maintain procedures for: (i) Tax authority inquiries and audits (ii) Mutual agreement procedure requests (iii) Advanced pricing arrangements (iv) Voluntary disclosure programs (b) Risk management protocols shall include: (i) Regular assessment of tax positions (ii) Documentation of uncertain tax positions (iii) Monitoring of statute of limitations (iv) Engagement with tax advisors

## **5.0 R&D TAX CREDITS AND INNOVATION INCENTIVES**

5.1 Qualification Criteria (a) AI/ML development activities shall be evaluated for R&D credit eligibility based on: (i) Technological advancement objectives (ii) Systematic investigation methodologies (iii) Resolution of scientific or technological uncertainty (b) Documentation of technical uncertainty shall be maintained through: (i) Detailed project planning documents (ii) Technical specifications and requirements (iii) Research hypotheses and experimental protocols (c) Process of experimentation shall be recorded including: (i) Alternative

approaches considered (ii) Testing methodologies employed (iii) Results analysis and conclusions

5.2 Patent-Related Activities (a) Patent development expenses shall be tracked separately, including: (i) Invention disclosure documentation (ii) Prior art search expenses (iii) Patent drafting and filing costs (b) Legal fees related to patent prosecution shall be categorized appropriately, encompassing: (i) Patent attorney consultation fees (ii) USPTO filing and examination fees (iii) International patent application costs (c) Patent maintenance costs shall be expensed as incurred, including: (i) Maintenance fee payments (ii) Patent portfolio management expenses (iii) Foreign patent annuities

5.3 Innovation Incentives (a) The Company shall maintain records supporting innovation credit claims through: (i) Contemporaneous documentation of research activities (ii) Employee time allocation records (iii) Project milestone achievements (b) Technical documentation shall support development activities via: (i) Design specifications and architectural documents (ii) Test results and validation reports (iii) Technical feasibility assessments (c) Time tracking systems shall identify qualifying activities by: (i) Project codes corresponding to R&D initiatives (ii) Activity classifications aligned with tax credit criteria (iii) Personnel qualification documentation

5.4 Compliance Requirements (a) Quarterly reviews of R&D activities shall be conducted (b) Annual certification of qualifying expenses shall be performed (c) Independent verification of credit calculations shall be obtained (d) Documentation retention policies shall be maintained for seven years (e) Regular training on R&D tax credit requirements shall be provided

IN WITNESS WHEREOF, this Document has been executed as of the Effective Date.

[Remaining signature block, exhibits, and appendices as previously stated]