

# **TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION**

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION (this "Certificate") is made and executed 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 provides proprietary artificial intelligence software solutions for industrial applications; and

WHEREAS, the Company desires to certify certain matters relating to its tax status, compliance, and obligations under applicable federal, state, and international tax laws.

NOW, THEREFORE, the Company hereby certifies and declares as follows:

## **1.0 TAX MATTERS CERTIFICATE**

### **1.1 Entity Classification**

The Company hereby certifies that it has not filed IRS Form 8832 (Entity Classification Election) and is classified as a C-corporation for U.S. federal tax purposes pursuant to Treasury Regulation Section 301.7701-3. The Company further acknowledges its continuing obligation to notify relevant parties of any future changes to its entity classification status within 30 days of such change.

### **1.2 Tax Residency**

The Company confirms its status as a U.S. tax resident incorporated under the laws of Delaware and maintains its principal place of business within the United States. The Company certifies that it has not been treated as a tax resident of any other jurisdiction and has no permanent establishment, as defined under applicable tax treaties, in any foreign jurisdiction.

### **1.3 FATCA Status**

The Company certifies its status as a U.S. Person as defined under Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not subject to FATCA withholding under Chapter 4 of the Code. The Company maintains appropriate documentation, including Form W-9, to substantiate this status and will promptly notify any withholding agents of any change in circumstances affecting its FATCA status.

## **1.4 Sales Tax Nexus**

The Company maintains sales tax nexus in the following jurisdictions based on its software licensing, subscription services, and physical presence: Delaware, California, Texas, Massachusetts, and New York, and has obtained all required sales tax permits and registrations in such jurisdictions. The Company acknowledges its obligation to collect and remit sales tax on taxable transactions in these jurisdictions and to maintain compliance with state-specific economic nexus thresholds.

## **1.5 Tax Compliance Representations**

The Company represents that it: (i) has timely filed all required federal, state, and local tax returns; (ii) maintains adequate records to support its tax positions; (iii) complies with all applicable tax information reporting requirements; (iv) has implemented appropriate transfer pricing methodologies for intercompany transactions; and (v) maintains documentation supporting the characterization of its software products and services for tax purposes.

## **1.6 Digital Goods Classification**

The Company acknowledges that its software products and subscription services may be subject to varying tax treatment across jurisdictions based on their classification as digital goods, services, or information services, and maintains appropriate documentation supporting such classifications.

# **2.0 TAX REPRESENTATIONS AND WARRANTIES**

## **2.1 Federal and State Tax Compliance**

The Company represents and warrants that: (a) All required federal and state tax returns have been timely filed, including income, sales, use, property, payroll, and information returns; (b) All taxes shown as due on such returns have been paid in full, including any applicable penalties, interest, or surcharges; (c) No tax audits or examinations are currently pending or threatened by any federal, state, or local taxing authority; (d) All required estimated tax payments have been made when due, including quarterly payments and deposits; and (e) The Company maintains comprehensive records supporting all tax positions for the statutorily required retention periods.

## **2.2 R&D Tax Credits**

The Company has claimed federal and state research and development tax credits in accordance with Section 41 of the Code and applicable state provisions for qualifying software development activities, maintaining contemporaneous documentation supporting such claims. The Company warrants that: (a) All claimed activities meet the four-part test for qualified

research expenses; (b) Documentation includes contemporaneous time tracking, project descriptions, and technical uncertainty analyses; (c) The Company maintains records identifying specific employees, contractors, and resources allocated to qualifying activities; and (d) All claimed expenses are properly segregated between qualified and non-qualified activities.

### **2.3 Software Development Treatment**

The Company capitalizes software development costs in accordance with ASC 350-40 and IRC Section 174, as amended by the Tax Cuts and Jobs Act of 2017. Specifically: (a) Research and experimental expenditures are amortized over five years for domestic activities; (b) Foreign research expenses are amortized over fifteen years; (c) The Company maintains detailed documentation distinguishing between research, development, and maintenance activities; and (d) Appropriate cost allocation methodologies are consistently applied across all software development projects.

### **2.4 International Tax Obligations**

The Company warrants compliance with all international tax obligations, including: (a) Transfer pricing documentation for intercompany transactions, supported by economic analysis and benchmarking studies; (b) VAT registration and compliance where required, including digital service provisions; (c) Permanent establishment analysis and compliance, with documented risk assessments; (d) Digital services tax obligations in applicable jurisdictions; (e) Country-by-country reporting requirements under BEPS Action 13; (f) Foreign-derived intangible income (FDII) calculations and documentation; and (g) Global intangible low-taxed income (GILTI) compliance and reporting.

### **2.5 State and Local Tax Compliance**

The Company further represents and warrants: (a) Economic nexus analysis has been performed for all jurisdictions; (b) Sales tax collection and remittance obligations are monitored and fulfilled; (c) Local business licenses and permits are maintained where required; (d) Property tax assessments and payments are current; and (e) Unclaimed property reporting requirements are satisfied in all applicable jurisdictions.

### **2.6 Tax Controversy Management**

The Company maintains procedures for: (a) Responding to tax authority inquiries and notices; (b) Preserving relevant documentation during audit periods; (c) Managing voluntary disclosure agreements when necessary; and (d) Engaging qualified tax professionals for complex matters.

## **3.0 REVENUE RECOGNITION AND TAX TREATMENT**

### **3.1 Revenue Recognition Standards**

The Company implements revenue recognition policies in accordance with ASC 606, specifically: (a) Identifying contracts with customers through formal documentation, including electronic agreements and signed orders; (b) Determining performance obligations by evaluating distinct promises within each contract; (c) Establishing transaction prices, including consideration of variable components, discounts, and rebates; (d) Allocating consideration to performance obligations based on relative standalone selling prices; and (e) Recognizing revenue upon satisfaction of performance obligations, measured by transfer of control to the customer.

### **3.2 Subscription Revenue Treatment**

The Company's subscription-based revenue is recognized: (a) Ratably over the subscription term for access rights, with recognition beginning on the date access is granted; (b) Upon delivery for perpetual licenses, including electronic delivery or access credential provision; and (c) As services are performed for implementation and consulting, documented through completion certificates or milestone acknowledgments.

### **3.3 Multi-Element Arrangements**

For contracts containing multiple performance obligations, the Company shall: (a) Identify and segregate distinct deliverables; (b) Determine standalone selling prices using observable inputs when available; (c) Apply appropriate allocation methodologies for bundled offerings; and (d) Maintain detailed documentation supporting allocation decisions.

### **3.4 State Tax Apportionment**

The Company applies market-based sourcing rules for state tax apportionment of its software and service revenue, specifically: (a) Determining nexus requirements for each jurisdiction; (b) Documenting customer locations and benefit receipt; (c) Maintaining compliance with varying state-specific sourcing rules; and (d) Implementing real-time tracking of multi-state transactions.

### **3.5 International Revenue Considerations**

For international transactions, the Company shall: (a) Apply appropriate VAT/GST treatments based on jurisdiction; (b) Document permanent establishment determinations; (c) Maintain transfer pricing documentation for intercompany transactions; and (d) Comply with local revenue recognition requirements.

### **3.6 Documentation Requirements**

The Company must maintain: (a) Detailed revenue recognition schedules; (b) Supporting documentation for performance obligation satisfaction; (c) Tax jurisdiction matrices for multi-state operations; (d) Audit trails for revenue allocation decisions; and (e) Periodic reviews of revenue recognition policies and procedures to ensure continued compliance with applicable standards and regulations.

## **4.0 TAX COMPLIANCE DECLARATIONS**

### **4.1 Sales and Use Tax Compliance**

The Company declares full compliance with state sales and use tax obligations, including: (a) Collection and remittance of tax on taxable sales; (b) Documentation of exempt sales and maintenance of valid exemption certificates; (c) Filing of all required returns and reports on prescribed schedules; (d) Maintenance of detailed transaction records for audit purposes; and (e) Implementation of automated tax calculation systems for multi-jurisdictional compliance.

### **4.2 Property Tax Declarations**

The Company has filed all required personal property tax returns and paid all property taxes due on its assets, including: (a) Computer equipment and capitalized software; (b) Manufacturing equipment and machinery; (c) Office furniture and fixtures; (d) Leasehold improvements; and (e) Intangible property where applicable under state law.

### **4.3 Employment Tax Compliance**

The Company certifies compliance with all federal and state employment tax obligations, including: (a) Withholding and reporting requirements for federal, state, and local jurisdictions; (b) Unemployment insurance contributions and quarterly filings; (c) Worker classification determinations and documentation; (d) Form W-2 and 1099 preparation and distribution; and (e) State disability insurance requirements where applicable.

### **4.4 Additional Tax Compliance Matters**

The Company further declares: (a) Maintenance of current tax registrations in all jurisdictions where business is conducted; (b) Timely filing of information returns required by the Internal Revenue Service; (c) Compliance with state unclaimed property reporting requirements; (d) Regular reconciliation of tax accounts and maintenance of supporting documentation; (e) Implementation of internal controls for tax compliance monitoring; (f) Regular review and updates of nexus determinations; and (g) Maintenance of transfer pricing documentation for inter-company transactions.

#### **4.5 Certification of Good Standing**

The Company maintains certificates of good standing in all jurisdictions where required and certifies that no tax liens, judgments, or delinquencies exist as of the Effective Date. The Company acknowledges its ongoing obligation to maintain compliance with all applicable tax laws and regulations.

[Signature and notary sections follow as previously stated]