

TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION (this "Certificate") is made and executed as of January 15, 2024 (the "Effective Date"), by Nexus Industrial Intelligence, Inc., a Delaware corporation (the "Company").

WHEREAS, the Company is required to maintain accurate documentation of its tax status, obligations, and compliance matters;

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

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 is classified as a C-corporation for U.S. federal income tax purposes and has not made any election to be treated as an S-corporation or any other alternative tax classification. The Company has been classified as a C-corporation since its incorporation on March 15, 2018. The Company maintains all necessary corporate records and files annual reports as required by Delaware General Corporation Law.

1.2 Tax Residency

The Company is a tax resident of the United States and maintains its principal place of business at 2500 Innovation Drive, Suite 400, Wilmington, Delaware 19801. The Company is not treated as a tax resident of any other jurisdiction for income tax purposes. The Company files federal income tax returns on Form 1120 and applicable state income tax returns in jurisdictions where it conducts business operations.

1.3 FATCA Status

The Company certifies that it is 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 requirements. The Company maintains appropriate documentation, including Form W-9, to substantiate its status for all relevant financial accounts and business relationships.

1.4 Sales Tax Nexus

The Company maintains sales tax nexus in thirty-seven (37) U.S. states through its provision of software and services to customers. The Company's NexusCore™ Industrial AI Platform is characterized as a software-as-a-service offering for sales tax purposes in applicable jurisdictions. The Company maintains current sales tax registrations and files regular returns in all states where nexus is established. The determination of nexus is based on economic presence thresholds, including revenue and transaction volumes, pursuant to state-specific regulations following the Supreme Court's decision in *South Dakota v. Wayfair, Inc.* The Company utilizes automated tax calculation and compliance software to ensure accurate collection and remittance of sales tax across all applicable jurisdictions.

1.5 Tax Compliance Procedures

The Company maintains comprehensive internal controls and procedures to ensure compliance with all applicable tax laws, regulations, and reporting requirements. These procedures include regular reviews of tax positions, maintenance of supporting documentation, and engagement with qualified tax professionals for complex matters.

2.0 TAX COMPLIANCE REPRESENTATIONS

2.1 Federal Income Tax Compliance

- (a) The Company has timely filed all required federal income tax returns (Forms 1120) for all tax years since inception through tax year 2023.
- (b) All federal income tax payments, estimated tax payments, and deposits have been timely made in accordance with applicable Treasury Regulations.
- (c) The Company maintains comprehensive documentation supporting all claimed deductions, credits, and special tax positions, including but not limited to Research and Development (R&D) tax credits under IRC Section 41.
- (d) All information returns, including Forms 1099, W-2, and 1096, have been timely filed with appropriate regulatory authorities and recipients.

2.2 State Tax Registration and Compliance

- (a) The Company maintains active tax registrations in all required states based on its business activities and nexus determinations.
- (b) All state income tax, franchise tax, and annual report filings are current and have been timely submitted.
- (c) The Company has implemented automated systems for monitoring and maintaining state tax compliance across all jurisdictions where the NexusCore™ platform is deployed.

- (d) Regular nexus studies are conducted to evaluate and update state tax obligations as business activities evolve, with documentation maintained for all threshold analyses.
- (e) The Company maintains current documentation of all state-specific tax elections, apportionment methodologies, and special industry provisions applicable to its operations.

2.3 Sales and Use Tax Compliance

- (a) The Company collects and remits sales tax on taxable transactions in all jurisdictions where required.
- (b) Exemption certificates are maintained for all exempt customer transactions in accordance with state requirements.
- (c) The Company employs real-time tax calculation software integrated with the NexusCore™ platform to ensure accurate tax determination and collection across all jurisdictions.
- (d) Monthly reconciliations are performed between transaction records and tax remittances to ensure completeness and accuracy of reporting.
- (e) The Company maintains detailed documentation of product and service taxability determinations for each jurisdiction.

2.4 International Tax Reporting

- (a) The Company has filed all required international information returns, including Forms 5471, 5472, and 8865 as applicable.
- (b) All transfer pricing documentation requirements have been satisfied for intercompany transactions.
- (c) The Company maintains contemporaneous documentation supporting compliance with BEPS (Base Erosion and Profit Shifting) requirements in all applicable jurisdictions.

2.5 Tax Compliance Procedures and Controls

- (a) The Company maintains a comprehensive tax compliance calendar tracking all filing and payment deadlines across jurisdictions.
- (b) Internal control procedures are documented and regularly updated to ensure accuracy and completeness of all tax filings.
- (c) The Company engages qualified tax professionals to review complex transactions and provide guidance on tax positions.
- (d) Regular tax compliance audits are conducted by independent third parties to verify adherence to established procedures.

2.6 Record Retention and Documentation

- (a) All tax-related records are maintained in accordance with applicable statutory retention periods, but not less than seven years.
- (b) Electronic backup systems ensure preservation of all tax documentation, including supporting calculations, worksheets, and correspondence with tax authorities.
- (c) The Company maintains an indexed system for rapid retrieval of tax documentation in response to regulatory inquiries or audits.

3.0 REVENUE RECOGNITION AND TAX TREATMENT

3.1 Revenue Recognition Methodology

- (a) The Company recognizes revenue in accordance with ASC 606, with subscription revenue recognized ratably over the contract term. Recognition occurs when the following criteria are satisfied: (i) Identification of a valid contract with a customer (ii) Identification of performance obligations within the contract (iii) Determination of the transaction price (iv) Allocation of the transaction price to performance obligations (v) Recognition of revenue upon satisfaction of performance obligations
- (b) The tax treatment of revenue recognition aligns with GAAP treatment except where specifically required by applicable tax law. Variations shall be documented and reconciled in accordance with IRC Section 451.
- (c) Multi-element arrangements shall be disaggregated into distinct performance obligations, with standalone selling prices determined using observable evidence when available, or estimated using appropriate methodologies.

3.2 Software License Characterization

- (a) The Company's software offerings are characterized as services for state tax purposes in jurisdictions following the Streamlined Sales Tax framework. This classification applies to: (i) Cloud-based subscription services (ii) Software-as-a-Service (SaaS) offerings (iii) Platform access rights (iv) Digital subscription products
- (b) Custom software development services are separately stated and treated in accordance with state-specific rules. Such services shall be: (i) Itemized distinctly on customer invoices (ii) Documented with clear deliverables and acceptance criteria (iii) Tracked separately for tax reporting purposes

3.3 International Revenue Sourcing

(a) The Company applies the following sourcing rules for international revenue: (i) Software licenses based on customer location (ii) Services based on performance location (iii) Support services based on customer location

(b) For purposes of VAT and GST compliance, the Company shall: (i) Maintain documentation of customer locations (ii) Apply appropriate tax rates based on jurisdiction (iii) Issue compliant tax invoices (iv) Register for VAT/GST where thresholds are met

3.4 Deferred Revenue Treatment

(a) Deferred revenue shall be recognized in accordance with the following principles: (i) Contract liability recorded upon receipt of advance payment (ii) Revenue recognized as performance obligations are satisfied (iii) Tax treatment aligned with applicable jurisdiction requirements

(b) The Company shall maintain detailed records of: (i) Deferred revenue balances by customer (ii) Recognition schedules (iii) Tax positions taken on advance payments (iv) Reconciliation between book and tax treatment

4.0 TAX ATTRIBUTES AND CREDITS

4.1 Net Operating Losses

The Company has federal NOL carryforwards of \$12,500,000 as of December 31, 2023, subject to limitation under Section 382 of the Code. These NOL carryforwards begin to expire in 2037, with annual utilization limits calculated pursuant to Treasury Regulation §1.382-1. Foreign-source NOLs of \$2,750,000 are available in specified jurisdictions, subject to local tax authority regulations and bilateral tax treaties.

4.2 Research and Development Credits

(a) Federal R&D tax credits of \$3,750,000 have been claimed through 2023, documented through Form 6765 filings. These credits are subject to a twenty-year carryforward period under Section 41(h) of the Code.

(b) State R&D credits have been claimed in California (\$875,000), Massachusetts (\$425,000), and New York (\$650,000), with varying expiration periods as prescribed by respective state tax codes.

(c) The Company maintains contemporaneous documentation supporting qualified research expenses (QREs) as required under Treasury Regulation §1.41-4(d).

4.3 State Incentives

(a) The Company qualifies for technology investment tax credits in Delaware pursuant to Title 30, Chapter 20 of the Delaware Code, with current available credits of \$750,000.

(b) Additional state-level incentives include: (i) Employment creation credits in Texas (\$225,000) (ii) Capital investment credits in Nevada (\$180,000) (iii) Manufacturing equipment credits in Michigan (\$320,000)

4.4 International Tax Considerations

(a) Foreign tax credits of \$1,850,000 are available under Section 901 of the Code, subject to limitation baskets under Section 904.

(b) The Company maintains detailed documentation supporting: (i) GILTI inclusions under Section 951A (ii) Subpart F income calculations (iii) Foreign-derived intangible income (FDII) deductions

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: _____ Name: David Kumar Title: Chief Financial Officer

CERTIFICATION UNDER PENALTIES OF PERJURY: Under penalties of perjury, I declare that I have examined this Certificate and to the best of my knowledge and belief, it is true, correct, and complete.

[EXHIBITS AND APPENDICES FOLLOW]