

# TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION (this "Certificate") 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 (the "Company").

WHEREAS, the Company develops and licenses proprietary artificial intelligence software solutions for industrial applications; and

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

NOW, THEREFORE, the Company hereby certifies, represents, and agrees as follows:

## 1.0 TAX MATTERS CERTIFICATE

**1.1 Entity Classification.** The Company hereby certifies that it (i) is classified as a C-corporation for U.S. federal income tax purposes pursuant to Treasury Regulation Section 301.7701-3, (ii) has not filed any entity classification elections under Form 8832, and (iii) maintains such classification in all applicable state and local jurisdictions. The Company further acknowledges its continuing obligation to notify relevant parties of any changes to this classification within 30 days of such change.

**1.2 Tax Residency.** The Company certifies that it is a U.S. tax resident corporation incorporated under the laws of Delaware and is not treated as a tax resident of any other jurisdiction for income tax treaty purposes. The Company maintains its principal place of business and primary management and control within the United States, specifically at its registered office in Delaware.

**1.3 FATCA Status.** The Company represents that it is a U.S. Person as defined in Section 7701(a)(30) of the Internal Revenue Code and is not subject to FATCA withholding requirements. The Company maintains appropriate documentation, including Form W-9, to substantiate this status and commits to providing updated documentation upon reasonable request or material change in circumstances.

**1.4 Sales Tax Nexus.** The Company maintains sales tax collection and remittance obligations in the following jurisdictions based on its software licensing activities and customer support services: California, Texas, New York, Massachusetts, and Illinois. The Company

acknowledges its responsibility to monitor and comply with economic nexus thresholds in all U.S. jurisdictions, including but not limited to revenue thresholds and transaction volume metrics as established by Wayfair v. South Dakota (2018). The Company maintains current sales tax permits and files returns in all applicable jurisdictions on a timely basis.

## **2.0 TAX REPRESENTATIONS AND WARRANTIES**

**2.1 Tax Filing Compliance.** The Company represents and warrants that:

- (a) It has timely filed all required federal, state, local, and foreign tax returns and reports;
- (b) All such returns and reports are true, complete, and accurate in all material respects;
- (c) All taxes shown as due on such returns have been paid in full;
- (d) No extensions for filing any tax returns are currently in effect; and
- (e) All estimated tax payments have been made in accordance with applicable jurisdictional requirements.

**2.2 Revenue Recognition.** The Company warrants that its software revenue recognition policies:

- (a) Comply with ASC 606 requirements for SaaS and licensed software;
- (b) Properly characterize subscription revenues as services for sales tax purposes;
- (c) Appropriately allocate multi-element arrangements involving AI technology components;
- (d) Maintain detailed documentation supporting the timing of revenue recognition for each contract type; and
- (e) Include appropriate procedures for identifying and accounting for performance obligations in hybrid delivery models.

**2.3 R&D Tax Credits.** The Company represents that:

- (a) It qualifies for federal and state R&D tax credits under IRC Section 41;
- (b) All claimed qualified research expenses are properly documented;
- (c) Its AI development activities constitute qualified research;
- (d) It maintains contemporaneous documentation of all research activities, including: (i) Detailed records of technical uncertainty resolution; (ii) Documentation of systematic research approach; (iii) Evidence of technological advancement; and (iv) Time tracking records for qualified personnel.

**2.4 International Tax Compliance.** The Company warrants compliance with:

- (a) Transfer pricing requirements for international technology licenses;

- (b) VAT obligations for digital services provided to EU customers;
- (c) Permanent establishment thresholds in foreign jurisdictions;
- (d) BEPS Action Plan reporting requirements where applicable; and
- (e) Foreign tax credit documentation requirements.

**2.5 State Tax Nexus.** The Company represents that:

- (a) It has properly evaluated economic nexus thresholds in all jurisdictions;
- (b) It maintains compliance with state-specific software taxation rules;
- (c) It has implemented appropriate sales tax collection mechanisms for digital goods;
- (d) It properly accounts for state-specific sourcing rules for SaaS products; and
- (e) It maintains documentation supporting all nexus determinations and filing positions.

**2.6 Tax Controversy.** The Company warrants that:

- (a) There are no pending tax audits or examinations;
- (b) No tax authority has proposed any adjustments to filed returns;
- (c) All tax positions taken are supported by substantial authority; and
- (d) Adequate reserves exist for any uncertain tax positions.

### **3.0 TAX COVENANTS**

**3.1 State Nexus Monitoring.** The Company shall:

- (a) Monitor sales thresholds in all U.S. jurisdictions on a quarterly basis, including both revenue-based and transaction-based thresholds;
- (b) Register for sales/use tax collection when nexus is established within 30 days of threshold breach;
- (c) Maintain documentation of nexus determination criteria, including physical presence factors, economic nexus thresholds, and marketplace facilitator obligations;
- (d) Conduct bi-annual reviews of remote employee locations and their impact on nexus determinations;
- (e) Document all trade show participation and temporary business activities in foreign jurisdictions.

**3.2 Software License Treatment.** The Company covenants to:

- (a) Consistently characterize software offerings for tax purposes across all jurisdictions;
- (b) Apply appropriate sourcing rules for SaaS revenues based on user location data;

- (c) Document the delivery method for all software licenses, including on-premises, cloud-hosted, and hybrid deployments;
- (d) Maintain separate revenue tracking for artificial intelligence components and traditional software elements;
- (e) Review and document the taxability of maintenance and support services in each jurisdiction.

**3.3 Transfer Pricing.** The Company shall:

- (a) Maintain contemporaneous transfer pricing documentation in accordance with IRC §482;
- (b) Review intercompany charges annually and adjust as necessary to reflect arm's length standards;
- (c) Update pricing studies as business models evolve, particularly for AI-enabled services;
- (d) Document cost-sharing arrangements for intellectual property development;
- (e) Maintain quarterly reconciliations of intercompany transactions.

**3.4 Record Retention.** The Company shall retain:

- (a) All tax returns and supporting documentation for 7 years from filing date;
- (b) R&D credit substantiation records for 5 years from claim date;
- (c) Sales tax nexus analysis documentation for 4 years from determination date;
- (d) Electronic records of customer locations and digital good delivery methods for 6 years;
- (e) Transfer pricing documentation for 8 years from the date of intercompany transaction;
- (f) Documentation of software characterization decisions and supporting analysis for 5 years;
- (g) Records of state tax registration and closure filings indefinitely.

## **4.0 TAX INDEMNIFICATION**

**4.1 Pre-Closing Liabilities.** The Company shall indemnify and hold harmless its officers, directors, and shareholders from any pre-closing tax liabilities, including but not limited to:

- (a) Federal, state, and local income tax obligations;
- (b) Employment tax liabilities and social security contributions;
- (c) Sales and use tax assessments;
- (d) Property tax obligations and special assessments.

**4.2 Audit Cooperation.** The Company shall:

- (a) Cooperate fully in any tax audits or examinations;
- (b) Provide timely access to requested documentation;
- (c) Bear costs of defending tax positions taken;
- (d) Maintain detailed records for a minimum of seven (7) years;
- (e) Notify relevant parties within five (5) business days of

receiving audit notices; (f) Engage qualified tax professionals when necessary for audit defense.

**4.3 Cross-Border Exposure.** The Company shall indemnify against:

(a) Transfer pricing adjustments and related penalties; (b) Permanent establishment claims in foreign jurisdictions; (c) Foreign withholding tax assessments; (d) Value-added tax (VAT) compliance issues; (e) International tax treaty disputes; (f) Cross-border intellectual property tax matters.

**4.4 Revenue Classification.** The Company shall defend and indemnify against:

(a) Software characterization disputes; (b) Sales tax classification challenges; (c) Revenue sourcing controversies; (d) Digital goods and services tax determinations; (e) Cloud computing revenue categorization issues; (f) Subscription-based revenue treatment disputes.

**4.5 Procedural Requirements.** The Company must:

(a) Maintain contemporaneous documentation supporting tax positions; (b) Implement appropriate transfer pricing methodologies; (c) Conduct annual tax risk assessments; (d) Establish tax compliance monitoring systems; (e) Report material tax positions quarterly to the Board; (f) Obtain advance rulings for significant transactions when practicable.

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: \_\_\_\_\_ Name: David Kumar Title: Chief Financial Officer

EXHIBIT A: State Tax Registration Schedule EXHIBIT B: Software Revenue Classification Guidelines EXHIBIT C: R&D Credit Documentation Requirements

[Exhibits to follow]