

TAX MATTERS DOCUMENT 25

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 and related services;

WHEREAS, the Company generates revenue through various streams including software licensing, implementation services, and maintenance fees across multiple tax jurisdictions;

WHEREAS, the Company seeks to document and establish clear tax treatment protocols for its various revenue streams, intellectual property assets, and international operations;

NOW, THEREFORE, the Company hereby establishes and documents the following tax matters:

1.0 PREAMBLE AND RECITALS

1.1 This Document shall serve as Tax Matters Document 25 in the Company's regulatory compliance series, establishing comprehensive guidelines for tax reporting, compliance, and documentation requirements across all jurisdictions of operation.

1.2 The Company, incorporated in Delaware on March 15, 2017, maintains its registration in good standing under Delaware Secretary of State File Number 6543210, with Federal Employer Identification Number (FEIN) 82-1234567.

1.3 Principal Operations. The Company conducts operations primarily through: (a) Its headquarters facility in Wilmington, Delaware (b) Research and development facilities in Cambridge, Massachusetts (c) European operations office in Dublin, Ireland (d) Satellite offices and remote employees in qualifying jurisdictions

1.4 Tax Registration Status. The Company maintains active tax registrations in: (a) All U.S. states where nexus has been established (b) European Union member states where services are provided (c) Other international jurisdictions as required by operations

1.5 Compliance Framework. This Document operates within: (a) U.S. Internal Revenue Code requirements (b) State and local tax regulations (c) International tax treaties and conventions (d) Transfer pricing guidelines

1.6 Document Authority. This Document shall: (a) Serve as the primary reference for tax compliance matters (b) Supersede previous tax documentation guidelines (c) Establish binding procedures for tax reporting (d) Define responsibility matrices for tax compliance (e) Outline audit response protocols (f) Govern record retention requirements

1.7 Implementation. These provisions shall be effective immediately upon adoption and shall be reviewed annually for compliance with evolving tax regulations and business operations.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "SaaS Revenue" means all subscription fees generated through the NexusCore™ platform, including: (a) Base platform licensing fees (b) Module-specific subscription charges (c) User-based premium features (d) API access fees (e) Data processing consumption charges (f) Multi-tenant infrastructure fees (g) Geographic instance deployment fees

2.2 "Implementation Services" means professional services revenue derived from: (a) Platform deployment and configuration (b) Custom integration development (c) Training and enablement services (d) Consulting services (e) System architecture design (f) Performance optimization services (g) Security compliance implementation

2.3 "Qualified R&D Activities" means research and development activities that meet the criteria for tax credit qualification under IRC Section 41, including: (a) Algorithm development and optimization (b) Computer vision system improvements (c) Machine learning model training and validation (d) Edge computing architecture development (e) Neural network architecture design (f) Distributed computing optimization (g) Quantum computing integration research

2.4 "Intellectual Property Assets" means all Company-owned: (a) Patents and patent applications (b) Proprietary algorithms and models (c) Software code and architecture (d) Trade secrets and know-how (e) Database schemas and structures (f) System architecture designs (g) Technical documentation

2.5 "Cross-Border Revenue" means revenue generated from: (a) Multi-jurisdiction deployments (b) International data processing services (c) Global API access fees (d) Regional instance hosting

2.6 "Tax Jurisdiction" refers to: (a) Primary operating jurisdiction (b) Secondary market jurisdictions (c) Data center locations (d) Customer billing locations

2.7 "Revenue Recognition Events" constitute: (a) Service activation date (b) Implementation milestone completion (c) License key generation (d) Usage threshold achievements

2.8 "Qualifying Technology Infrastructure" encompasses: (a) Cloud computing resources (b) Data processing centers (c) Network infrastructure (d) Security systems

2.9 For the purposes of this Agreement: (a) References to sections are to sections of this Agreement (b) Headings are for convenience only (c) Words importing the singular include the plural (d) References to laws include modifications and re-enactments

2.10 "Material Technology Change" means: (a) Core algorithm modifications (b) Processing architecture changes (c) Data structure alterations (d) Integration protocol updates

2.11 The interpretation of these definitions shall: (a) Be consistent with international accounting standards (b) Reflect industry-standard practices (c) Consider technological evolution (d) Align with relevant tax regulations

2.12 Any ambiguity in these definitions shall be resolved: (a) In accordance with GAAP principles (b) Considering technological context (c) Following industry standards (d) Preserving tax efficiency

3.0 TAX CLASSIFICATIONS AND TREATMENTS

3.1 Software Revenue Classification

(a) NexusCore™ Platform Revenue shall be classified as software service revenue under ASC 606 and treated as follows: (i) Subscription fees recognized ratably over contract term, with revenue recognition commencing upon customer access activation (ii) Setup fees amortized over expected customer lifetime, not to exceed 60 months (iii) Usage-based fees recognized upon consumption, measured in accordance with platform metrics (iv) Volume-based discounts accounted for as variable consideration (v) Multi-element arrangements allocated based on relative standalone selling prices

(b) Implementation Services shall be treated as: (i) Separate performance obligations for tax purposes, distinctly identified in contracts (ii) Recognized upon completion of defined milestones, documented through customer acceptance (iii) Subject to state sales tax where applicable, with nexus determination per Section 3.3 (iv) Professional services revenue segregated from software revenue (v) Time and materials billing recognized as services are performed

3.2 Intellectual Property Tax Treatment

(a) Patent Amortization: (i) Domestic patents amortized over 15 years using straight-line methodology (ii) International patents per local jurisdiction requirements, with documentation maintained (iii) R&D costs capitalized per IRC Section 174, subject to annual review (iv) Patent defense costs expensed as incurred (v) Improvement patents treated as separate assets for amortization purposes (vi) Patent portfolio valuations updated annually for impairment testing

(b) Software Development: (i) Internal-use software capitalized per ASC 350-40 guidelines (ii) Development costs amortized over 36 months from deployment date (iii) Cloud computing

arrangements per ASC 350-40, including implementation costs (iv) Agile development sprints tracked separately for capitalization purposes (v) Technical feasibility documentation maintained for capitalized projects (vi) Enhancement costs evaluated for capitalization eligibility

3.3 State Tax Nexus Determinations

(a) Physical Presence Nexus: (i) Employee location-based, including remote workers and contractors (ii) Property location-based, including servers and equipment (iii) Inventory location-based, including digital asset repositories (iv) Sales representative activities monitored for nexus implications (v) Temporary project locations evaluated for nexus threshold (vi) Partner relationships assessed for agency nexus considerations

(b) Economic Nexus: (i) Revenue thresholds per state requirements, monitored quarterly (ii) Transaction volume monitoring with automated tracking systems (iii) Digital goods special provisions per state regulations (iv) Marketplace facilitator obligations evaluated (v) Direct and indirect revenue attribution methodologies (vi) Wayfair decision compliance protocols implemented

3.4 Special Tax Considerations

(a) International Tax Treatment: (i) Transfer pricing documentation for intercompany transactions (ii) VAT/GST obligations for digital service delivery (iii) Permanent establishment risk assessment (iv) Treaty benefit application procedures (v) Foreign tax credit optimization strategies

(b) Emerging Technology Considerations: (i) AI and machine learning model treatment (ii) Blockchain transaction documentation requirements (iii) Cryptocurrency payment handling procedures (iv) Edge computing infrastructure classification (v) IoT device revenue allocation methodologies

3.5 Tax Compliance Documentation

(a) Required Records: (i) Revenue recognition policies and procedures (ii) Capitalization threshold documentation (iii) State-by-state nexus determination records (iv) Supporting calculation methodologies (v) Annual review and update procedures

(b) Audit Support: (i) Transaction detail maintenance requirements (ii) Supporting documentation retention periods (iii) Response procedures for tax authority inquiries (iv) Third-party verification protocols (v) Reconciliation procedures between financial and tax reporting

4.0 INTERNATIONAL TAX CONSIDERATIONS

4.1 European Market Operations

(a) Transfer Pricing Methodology: (i) Cost-plus method for intercompany services, requiring documentation of base costs plus markup ranging from 5% to 15% based on functional analysis and market comparables (ii) Comparable uncontrolled price method for software licensing, supported by third-party benchmark studies and annual pricing reviews (iii) Profit split method for technology transfers, with detailed economic analysis and value-chain mapping (iv) Contemporary documentation requirements including local files, master files, and country-by-country reporting where applicable

(b) VAT Treatment: (i) Digital service provisions under EU VAT Directive 2006/112/EC (ii) B2B reverse charge mechanisms for cross-border transactions (iii) OSS registration requirements and compliance obligations (iv) Threshold monitoring for distance selling regulations (v) Electronic invoicing requirements and archival procedures

4.2 Revenue Attribution

(a) Software Revenue: (i) User location-based attribution utilizing IP address verification (ii) Server location considerations for permanent establishment analysis (iii) Development activity allocation based on DEMPE functions (iv) Cloud service revenue characterization and sourcing rules (v) Software maintenance and update revenue allocation methodology

(b) Service Revenue: (i) Performance location-based attribution with supporting documentation (ii) Customer location considerations for direct and indirect tax purposes (iii) Mixed supply treatment and unbundling requirements (iv) Service permanent establishment risk assessment

4.3 Tax Treaty Applications

(a) Withholding Tax Considerations: (i) Treaty benefit qualification requirements (ii) Principal purpose test compliance (iii) Limitation on benefits clause analysis (iv) Technical service fee characterization (v) Royalty versus business income determination

(b) Permanent Establishment Analysis: (i) Server and data center PE risk assessment (ii) Agency PE considerations for sales activities (iii) Service PE thresholds and monitoring (iv) Digital PE implications under BEPS 2.0

4.4 Foreign Tax Credit Management

(a) Credit Calculation Methodology: (i) Per-country limitation calculations (ii) High-tax kickout considerations (iii) Expense allocation and apportionment (iv) Carryforward and carryback documentation

(b) Documentation Requirements: (i) Foreign tax payment substantiation (ii) Translation requirements for foreign currency (iii) Tax rate reconciliation schedules (iv) Credit utilization tracking systems

4.5 Transfer Pricing Compliance

(a) Documentation Standards: (i) Contemporaneous documentation requirements (ii) Benchmark study updates and maintenance (iii) Intercompany agreement management (iv) Annual compliance review procedures

(b) Dispute Resolution: (i) Advance pricing agreement considerations (ii) Mutual agreement procedure protocols (iii) Competent authority relief procedures (iv) Alternative dispute resolution mechanisms

4.6 Digital Service Tax Considerations

(a) Unilateral Measures: (i) Country-specific DST compliance (ii) Revenue threshold monitoring (iii) Tax base calculation methodology (iv) Payment and reporting obligations

(b) Multilateral Developments: (i) OECD Pillar One implementation (ii) Amount A allocation monitoring (iii) Revenue sourcing rules (iv) Tax certainty procedures

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Compliance Representations

The Company hereby represents and warrants that:

(a) All required tax returns have been timely filed in all jurisdictions, including federal, state, local, and international tax authorities, with no extensions pending or unfiled

(b) All tax payments are current and complete, including estimated tax payments, payroll taxes, sales and use taxes, value-added taxes, and any other applicable tax obligations

(c) No material tax audits are pending or threatened, and no notices of examination, investigation, or inquiry have been received from any taxing authority within the past three (3) years

(d) All required tax documentation is maintained and current, including supporting schedules, worksheets, receipts, and records as required by applicable law

5.2 R&D Credit Qualification

The Company represents that its R&D activities:

(a) Meet IRC Section 41 requirements for: (i) Technological advancement through systematic investigation (ii) Process of experimentation utilizing scientific methods (iii) Elimination of uncertainty regarding capability, methodology, or design (iv) Development of new or improved business components (v) Satisfaction of the four-part test under Treasury Regulations

(b) Are properly documented through: (i) Project time tracking with contemporaneous records (ii) Technical documentation including test protocols and results (iii) Research records with detailed methodology descriptions (iv) Personnel qualification documentation (v) Financial records segregating qualified research expenses

5.3 Additional Tax Representations

The Company further represents and warrants that:

- (a) All transfer pricing arrangements comply with Section 482 requirements and are supported by appropriate documentation
- (b) No listed transactions or reportable transactions under IRC Section 6011 have been undertaken
- (c) All information reporting requirements have been satisfied, including Forms 1099, W-2, and international reporting forms
- (d) The Company maintains appropriate internal controls for tax compliance, including: (i) Written procedures for tax return preparation and review (ii) Regular assessment of tax positions and risks (iii) Documentation retention policies (iv) Staff training programs (v) Regular updates to tax compliance procedures
- (e) All tax positions taken are supported by substantial authority or meet the more-likely-than-not standard under applicable regulations

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

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