TAX MATTERS DOCUMENT 12

1.0 PREAMBLE AND RECITALS

THIS TAX MATTERS DOCUMENT 12 (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 (the "Company").

WHEREAS, the Company is engaged in the development, licensing, and implementation of proprietary machine learning and computer vision solutions for industrial process optimization and predictive maintenance through its NexusCore™ Industrial AI Platform;

WHEREAS, the Company generates revenue through enterprise software licensing, implementation services, and related technical support services in multiple jurisdictions, including but not limited to the United States, European Union, United Kingdom, and Asia-Pacific regions;

WHEREAS, the Company maintains significant intellectual property assets and conducts substantial research and development activities in connection with its artificial intelligence and machine learning technologies, including patents, trade secrets, and proprietary algorithms;

WHEREAS, the Company's operations involve complex international tax considerations, including transfer pricing, intellectual property rights allocation, and cross-border revenue recognition;

WHEREAS, the Company maintains research and development facilities in multiple jurisdictions, necessitating careful consideration of research tax credits, development expense allocation, and intellectual property ownership structures;

WHEREAS, the Company seeks to ensure compliance with applicable tax regulations while optimizing its global tax position in accordance with all relevant laws and regulations;

NOW, THEREFORE, the Company hereby adopts and establishes the following tax matters provisions, which shall govern the Company's approach to tax treatment, reporting obligations, and compliance requirements across all jurisdictions in which it operates:

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 Defined Terms. For purposes of this Document, the following terms shall have the meanings specified below:

(a) "Intellectual Property Income" means any income derived from the licensing, sale, or other commercialization of the Company's proprietary software, algorithms, patents, trade secrets, and other intellectual property assets, including but not limited to the NexusCore™ Industrial AI Platform. This encompasses revenue from patent licensing agreements, technology transfer arrangements, and royalty payments from authorized third-party implementations of protected intellectual property.

(b) "Software License Revenue" means all revenue generated from the licensing of the Company's software products, including subscription fees, maintenance fees, and upgrade fees, whether delivered via software-as-a-service or on-premises deployment. This includes perpetual licenses, term licenses, concurrent user licenses, named user licenses, and enterprise-wide licensing arrangements.

(c) "Implementation Services" means professional services revenue generated from the installation, configuration, integration, and customization of the Company's software solutions for customers. This encompasses system architecture design, data migration services, custom development work, training services, and ongoing technical support activities directly related to software implementation.

(d) "Foreign-Derived Intangible Income" or "FDII" means income derived from foreign sales and licenses of property or services for use outside the United States, as defined under Section 250 of the Internal Revenue Code. This includes qualifying income from cross-border software licenses, international consulting services, and foreign patent royalties.

(e) "Research & Development Credits" means tax credits available under Section 41 of the Internal Revenue Code and applicable state statutes for qualified research expenses related to the development of new or improved software products and algorithms. This includes expenses for computational research, algorithm development, testing protocols, and experimental software architectures.

(f) "Cloud Services Revenue" means income derived from providing cloud-based computing resources, including Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS) offerings.

(g) "Technical Support Revenue" means income generated from providing ongoing technical assistance, maintenance, and support services to customers, including help desk operations, software updates, and bug fixes.

2.2 Interpretation. In this Document: (a) Section headings are for convenience only and shall not affect interpretation. (b) Words in the singular include the plural and vice versa. (c) References to Sections refer to sections of this Document unless otherwise specified. (d) The terms "including" and "includes" mean "including without limitation." (e) References to any statute or regulation include amendments, modifications, or replacements thereof. (f) Time periods specified in days refer to calendar days unless otherwise stated. (g) Any reference to "written" or "in writing" includes electronic communications. (h) The term "person" includes

individuals, corporations, partnerships, and other legal entities. (i) References to currency are in United States dollars unless explicitly stated otherwise. (j) Technical terms shall be interpreted in accordance with industry standard definitions and practices within the software and artificial intelligence sectors.

2.3 Precedence. In the event of any conflict between the definitions provided herein and those contained in referenced documents, the definitions in this section shall prevail unless explicitly stated otherwise.

3.0 TAX CLASSIFICATION AND TREATMENT

3.1 Software Revenue Classification

(a) SaaS Revenue. Subscription revenue from the NexusCore™ Industrial AI Platform shall be treated as software service revenue for tax purposes, subject to the following: (i) Revenue shall be recognized ratably over the subscription term (ii) State sales tax shall apply based on customer location (iii) International VAT/GST requirements shall be evaluated per jurisdiction (iv) Multi-year contracts shall be assessed for present value implications (v) Volume-based pricing adjustments shall be recognized in the period incurred

(b) License Revenue. Perpetual license revenue shall be recognized upon delivery of software access credentials to customers, with consideration for: (i) Material post-contract support obligations (ii) Implementation service bundling effects (iii) Multi-element arrangement considerations (iv) Extended payment term implications

3.2 International Revenue Treatment

(a) FDII Qualification. The Company shall identify and track foreign-derived income eligible for FDII treatment, including: (i) Foreign customer software licenses (ii) Implementation services performed for foreign customers (iii) Technical support provided to foreign customers (iv) Cross-border data processing services (v) Foreign subsidiary service arrangements

(b) Transfer Pricing. All intercompany transactions shall be conducted at arm's length in accordance with Section 482 of the Internal Revenue Code, including: (i) Documentation of pricing methodologies (ii) Comparable transaction analysis (iii) Cost-sharing arrangement compliance (iv) Annual transfer pricing studies (v) Advance pricing agreement considerations

3.3 R&D Tax Credit Qualification

(a) Qualified Research Activities. The Company shall document all activities that may qualify for R&D tax credits, including: (i) Development of new AI algorithms (ii) Enhancement of existing machine learning models (iii) Software architecture improvements (iv) Testing and validation activities (v) Platform scalability research (vi) Security protocol development (vii) Data processing optimization studies

(b) Expense Tracking. The Company shall maintain detailed records of all qualified research expenses, including: (i) Wages for qualified technical personnel (ii) Supply costs for development activities (iii) Contract research expenses (iv) Cloud computing costs for R&D activities (v) Third-party testing services (vi) Research facility overhead allocation

3.4 State Tax Nexus Provisions

(a) Physical Nexus Monitoring. The Company shall evaluate and monitor state tax nexus creating activities, including: (i) Physical presence of employees or contractors (ii) Server locations and data center operations (iii) Implementation service activities (iv) Training and support activities (v) Equipment installation services

(b) Economic Nexus Evaluation. The Company shall track: (i) Revenue thresholds by state (ii) Transaction volume metrics (iii) Digital goods delivery locations (iv) Virtual presence considerations (v) Marketplace facilitator obligations

3.5 IP Development Cost Treatment

(a) Capitalization Requirements. The Company shall capitalize software development costs in accordance with ASC 350-40, including: (i) Coding and testing costs (ii) Design and configuration costs (iii) Integration and installation costs (iv) Quality assurance activities (v) Documentation development (vi) User interface design (vii) Security feature implementation

(b) Amortization. Capitalized costs shall be amortized over the estimated useful life of the software, considering: (i) Technological obsolescence factors (ii) Competition and market conditions (iii) Customer contract duration patterns (iv) Platform upgrade cycles

3.6 Tax Compliance Documentation

(a) Record Retention. The Company shall maintain comprehensive tax documentation including: (i) Revenue recognition calculations (ii) Nexus determination studies (iii) R&D credit support documentation (iv) Transfer pricing analyses (v) Capitalization worksheets

(b) Periodic Review Requirements. The Company shall conduct: (i) Quarterly nexus reviews (ii) Annual transfer pricing updates (iii) Semi-annual R&D qualification assessments (iv) Monthly revenue classification reviews

4.0 COMPLIANCE AND REPORTING OBLIGATIONS

4.1 Federal Filing Requirements

(a) Income Tax Returns (i) Form 1120 filing deadline compliance, including extension requests and supporting documentation requirements (ii) Quarterly estimated tax payment calculations based on annualized income installment method or prior year safe harbor (iii) R&D credit documentation (Form 6765) with contemporaneous project tracking and qualified research expense allocation (iv) FDII calculations and reporting, including detailed documentation of

foreign-derived deduction eligible income (v) Alternative Minimum Tax considerations and calculations (vi) Net Operating Loss documentation and carryforward tracking

(b) Information Returns (i) Form 1099 reporting for independent contractors, including verification of TIN matching (ii) Form W-2 reporting for employees, including fringe benefit calculations (iii) Foreign information reporting requirements, including Forms 5471, 8858, and 8865 (iv) FBAR compliance for foreign financial accounts exceeding $10,000 (v) Form 8300 reporting for cash transactions exceeding $10,000

4.2 State Tax Reporting

(a) Income Tax Returns (i) Nexus evaluation and filing determinations, including economic nexus thresholds (ii) Apportionment calculations utilizing sales, property, and payroll factors (iii) Combined reporting requirements, including unitary business analysis (iv) State-specific adjustments and modifications to federal taxable income (v) Alternative apportionment petition procedures when standard formula fails

(b) Sales Tax Compliance (i) Registration requirements, including marketplace facilitator obligations (ii) Collection and remittance obligations, including digital goods classification (iii) Exemption certificate management and periodic validation procedures (iv) Local jurisdiction tax rate monitoring and updates (v) Voluntary disclosure agreement procedures for historical compliance

4.3 International Tax Compliance

(a) Transfer Pricing Documentation (i) Contemporaneous documentation requirements under IRC §482 (ii) Intercompany agreement maintenance and periodic review procedures (iii) Benchmark analysis updates, including functional and risk analysis (iv) Cost sharing arrangement documentation (v) Advanced Pricing Agreement considerations and maintenance

(b) Foreign Tax Reporting (i) Country-by-country reporting requirements under BEPS Action 13 (ii) VAT/GST compliance obligations, including digital service tax considerations (iii) Permanent establishment analysis and documentation requirements (iv) Foreign tax credit documentation and limitation calculations (v) GILTI and Subpart F income calculations and reporting

4.4 Record Retention Requirements

The Company shall maintain all tax-related records for a minimum of seven (7) years, including: (a) Revenue recognition documentation, including ASC 606 analysis (b) R&D credit support, including project time tracking and contractor agreements (c) Transfer pricing documentation, including functional analysis updates (d) State nexus analysis, including employee travel records and sales data (e) International tax compliance records, including entity classification elections (f) Sales tax exemption certificates and nexus determination records (g) Property tax assessment and valuation records (h) Employment tax records, including worker classification documentation (i) Documentation supporting tax positions

taken on uncertain tax positions (j) Correspondence with tax authorities and audit documentation

4.5 Compliance Monitoring and Review

The Company shall establish and maintain a tax compliance calendar with specific deadlines and responsible parties for each filing obligation. Quarterly reviews shall be conducted to ensure adherence to filing requirements and documentation standards. Annual reviews of significant tax positions and documentation requirements shall be performed by qualified tax personnel or external advisors.