TAX DOCUMENTATION AND REVENUE RECOGNITION DECLARATION

Document No. 35 Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, DE 19801 ("Company"), having Employer Identification Number 81-3456789, develops and commercializes proprietary artificial intelligence software solutions; and

WHEREAS, the Company seeks to establish comprehensive tax documentation for its various revenue streams, intellectual property assets, and multi-jurisdictional operations for the tax year ending December 31, 2024;

NOW, THEREFORE, the Company hereby declares and documents the following:

1.0 TAX DOCUMENTATION DECLARATION

1.1 Entity Classification

The Company is classified as a C-Corporation for federal tax purposes, incorporated under the laws of Delaware on March 15, 2018, and maintains its status as a qualified technology company under applicable state and federal regulations. The Company operates under Employer Identification Number (EIN) as registered with the Internal Revenue Service and complies with all filing requirements specified under Treasury Regulation §301.7701-3.

1.2 Revenue Streams

The Company generates revenue through the following primary channels: (a) SaaS subscription fees from the NexusCore™ Industrial AI Platform; (b) AI technology licensing arrangements; (c) Professional services and implementation fees; and (d) Maintenance and support services.

Revenue recognition follows ASC 606 guidelines, with specific consideration for performance obligations in multi-element arrangements. Software licensing revenue is recognized in accordance with ASC 985-605, with distinction between perpetual licenses and term-based subscriptions.

1.3 Tax Year Specification

This documentation covers the tax year beginning January 1, 2024, and ending December 31, 2024, with quarterly estimated tax payments due as prescribed by Internal Revenue Code Section 6655. The Company adheres to the accrual method of accounting as defined under IRC Section 448 and maintains books and records in accordance with GAAP principles.

1.4 Jurisdictional Scope

The Company maintains tax nexus in multiple jurisdictions based on: (a) Physical presence through employee locations; (b) Economic nexus through digital service delivery; and (c) Revenue thresholds as defined in Section 4.1.

State-specific nexus determinations follow the guidelines established in South Dakota v. Wayfair, Inc., 585 U.S. (2018), with particular attention to digital goods and services taxation. The Company maintains compliance with state-specific economic nexus thresholds, including: (i) Transaction volume monitoring; (ii) Revenue-based threshold tracking; (iii) Digital service delivery documentation; and (iv) Marketplace facilitator obligations where applicable.

1.5 Documentation Requirements

The Company maintains comprehensive documentation supporting: (a) Revenue allocation methodologies for multi-state operations; (b) Transfer pricing documentation for international transactions; (c) Research and development tax credit substantiation under IRC Section 41; and (d) State-specific technology and innovation tax incentive compliance records.

2.0 REVENUE CLASSIFICATION AND RECOGNITION

2.1 SaaS Subscription Revenue

(a) Subscription revenue shall be recognized ratably over the contract term in accordance with ASC 606, with recognition commencing upon the date when service access is granted to the customer. (b) Multi-year contracts shall be amortized on a straight-line basis, with any prepaid amounts recorded as deferred revenue on the balance sheet. (c) Usage-based components shall be recognized upon actual usage, with monthly measurement and reconciliation of consumption metrics. (d) Early termination fees shall be recognized when charged and collectibility is reasonably assured. (e) Setup fees shall be capitalized and amortized over the expected customer relationship period.

2.2 AI Licensing Revenue

(a) Perpetual licenses shall be recognized upon delivery, provided all of the following criteria are met: (i) Execution of a binding agreement (ii) Delivery of software access credentials (iii) Establishment of fixed or determinable fees (iv) Reasonable assurance of collectibility (b)

Term-based licenses shall be recognized over the license duration, with recognition beginning on the date of customer activation. (c) Revenue allocation between license and maintenance components shall follow the residual method, utilizing vendor-specific objective evidence (VSOE) when available. (d) License modifications or upgrades shall be evaluated as separate performance obligations. (e) Volume-based licensing shall be recognized based on actual usage or minimum commitment levels, whichever is greater.

2.3 Professional Services Revenue

(a) Implementation services shall be recognized on a percentage-of-completion basis, with progress measured using input methods including: (i) Labor hours expended (ii) Costs incurred (iii) Milestone achievement (b) Training services shall be recognized upon delivery, with virtual training recognized proportionally over the course duration. (c) Custom development shall be recognized as performed, with regular billing intervals aligned with project phases. (d) Change orders shall be evaluated as separate performance obligations and priced accordingly. (e) Travel-related expenses shall be recognized as incurred when contractually reimbursable.

2.4 R&D Tax Credit Qualification

The Company's research and development activities qualify for federal and state tax credits under the following criteria: (a) Development of new AI algorithms and methodologies, including: (i) Machine learning model architecture (ii) Neural network optimization (iii) Data processing innovations (b) Enhancement of existing software capabilities through: (i) Performance improvements (ii) Scalability enhancements (iii) Security framework advancement (c) Technical uncertainty resolution, documented through: (i) Research protocols (ii) Testing procedures (iii) Validation methods (d) Process of experimentation documentation, including: (i) Alternative solutions considered (ii) Testing results (iii) Implementation outcomes (e) Maintenance of contemporaneous documentation supporting: (i) Qualified research expenses (ii) Personnel time allocation (iii) Project objectives and outcomes

2.5 Revenue Recognition Disputes

Any disputes regarding revenue recognition shall be resolved through: (a) Internal review by the Finance Committee (b) External auditor consultation (c) Appropriate adjustment in the period of identification (d) Disclosure in financial statements when material

3.0 INTELLECTUAL PROPERTY TAX TREATMENT

3.1 Software Development Capitalization

(a) Internal-use software development costs shall be capitalized in accordance with ASC 350-40, including direct costs of materials, services, and employee compensation dedicated to software development activities. (b) Research phase costs shall be expensed as incurred, encompassing activities related to: (i) Conceptual formulation and evaluation of alternatives (ii) Technology searches and feasibility studies (iii) Selection of programming languages and hardware configurations (c) Development phase costs shall be capitalized when technological feasibility is established, specifically: (i) Program design and coding activities (ii) Testing and parallel processing phases (iii) Implementation and deployment costs (d) Post-implementation costs shall be expensed unless they result in significant additional functionality.

3.2 AI Technology Valuation

(a) Proprietary AI algorithms shall be valued using the cost approach, incorporating: (i) Direct development costs including computational resources (ii) Personnel expenses for data scientists and engineers (iii) Training data acquisition and preparation costs (b) Patent applications and trade secrets shall be capitalized at cost, including: (i) Legal and filing fees (ii) Prior art search expenses (iii) Documentation and protection measures (c) Annual impairment testing shall be conducted per ASC 350, considering: (i) Market conditions and technological obsolescence (ii) Expected future cash flows (iii) Changes in strategic value

3.3 Cross-Border Considerations

(a) Transfer pricing for international licensing shall follow arm's length principles, documented through: (i) Comparable uncontrolled transactions (ii) Profit split methodologies (iii) Cost-plus arrangements where appropriate (b) Cost-sharing arrangements shall be documented per Treasury Regulation 1.482-7, including: (i) Platform contribution transactions (ii) Operating cost allocations (iii) Buy-in payment structures (c) Foreign-derived intangible income shall be calculated per Section 250, incorporating: (i) Qualifying income from foreign use (ii) Deduction eligibility requirements (iii) Documentation of foreign use evidence

3.4 Amortization and Depreciation

(a) Capitalized software costs shall be amortized over the shorter of: (i) The estimated useful life of the software (ii) Three years from the date placed in service (b) AI algorithm development costs shall be depreciated according to: (i) Expected technological lifecycle (ii) Economic obsolescence factors (iii) Regular reassessment of useful life estimates (c) Patent costs shall be amortized over the legal life of the patent or 15 years, whichever is shorter.

4.0 STATE TAX NEXUS DECLARATIONS

4.1 Economic Nexus Thresholds

The Company declares nexus in jurisdictions where it exceeds: (a) $100,000 in annual revenue from sales of products, services, or digital goods; or (b) 200 separate transactions within a calendar year, including recurring subscription payments.

The Company shall implement automated monitoring systems to track revenue and transaction thresholds across all jurisdictions on a quarterly basis. Upon reaching 80% of any threshold, the Tax Department shall be notified for preemptive compliance measures.

4.2 Physical Presence Documentation

The Company maintains physical presence through: (a) Corporate headquarters in Delaware, including administrative offices and technical facilities; (b) Remote employees in 15 states, with detailed documentation of work locations, time allocation, and state-specific withholding requirements; (c) Data center operations in 3 states, comprising server facilities, network infrastructure, and maintenance personnel; (d) Temporary business activities, including training sessions, sales meetings, and technical support visits exceeding 14 days per jurisdiction.

4.3 State-Specific Requirements

The Company shall comply with: (a) State-specific digital service tax provisions, including: (i) Software as a Service (SaaS) specific taxation rules (ii) Cloud computing infrastructure tax treatments (iii) Data processing service classifications (b) Economic nexus reporting requirements, including: (i) Monthly or quarterly sales tax returns (ii) Annual information reports (iii) Marketplace facilitator obligations (c) Apportionment methodologies for cloud services, considering: (i) User location tracking (ii) Benefit of service rules (iii) Income-producing activity metrics

4.4 Compliance Monitoring and Documentation

The Company shall maintain: (a) Real-time nexus tracking systems for all jurisdictions (b) Documentation supporting nexus determinations, including: (i) Revenue calculations by state (ii) Transaction counts and classifications (iii) Physical presence documentation (c) Annual nexus review procedures, including: (i) Assessment of new state legislation (ii) Review of business activity changes (iii) Updates to compliance procedures

4.5 Remediation Procedures

Upon identification of new nexus obligations, the Company shall: (a) Register with appropriate state authorities within 30 days (b) Implement required tax collection mechanisms (c) File voluntary disclosure agreements where applicable (d) Establish historical liability assessments (e) Maintain documentation of remediation efforts

IN WITNESS WHEREOF, this Tax Documentation has been executed by the duly authorized officer of the Company as of the date first written above.