

FINANCIAL AND ACCOUNTING DOCUMENT 23

FINANCIAL REPORTING AND INTERNAL CONTROL FRAMEWORK

THIS FINANCIAL AND ACCOUNTING DOCUMENT (this "Document"), dated as of January 15, 2024 (the "Effective Date"), is established by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation with registration number DE-847392-18, having its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company").

WHEREAS, the Company develops and delivers proprietary artificial intelligence software solutions for industrial applications through its NexusCore™ Platform;

WHEREAS, the Company seeks to establish standardized financial reporting procedures and internal controls appropriate for its subscription-based revenue model and technology development activities; and

WHEREAS, the Company requires comprehensive documentation of its financial and accounting policies in accordance with Generally Accepted Accounting Principles ("GAAP") and applicable securities regulations;

NOW, THEREFORE, the Company hereby adopts and establishes the following financial reporting and internal control framework:

1.0 INTRODUCTION AND PARTIES

1.1 This Document (FIN-23) establishes the comprehensive financial reporting and internal control framework for the Company's operations, with particular focus on revenue recognition, cost capitalization, and compliance requirements specific to software-as-a-service ("SaaS") and artificial intelligence technology development.

1.2 The Company, Nexus Industrial Intelligence, Inc., incorporated in Delaware on March 15, 2018 (Delaware Entity #6854921), operates as a provider of industrial artificial intelligence solutions through its proprietary NexusCore™ Platform and related professional services. The Company maintains its principal place of business at 2500 Innovation Drive, Suite 400, Boston, Massachusetts 02110.

1.3 This Document shall govern all financial reporting activities and shall be binding upon all financial and accounting personnel, executive officers, and other employees involved in financial operations and reporting.

1.4 For purposes of this Document, "Company Personnel" shall include all employees, contractors, consultants, temporary workers, and other individuals engaged in financial operations, regardless of employment classification or duration of service.

1.5 This Document supersedes all previous financial reporting policies and procedures, including but not limited to Policy FIN-22 and its amendments, and shall remain in effect until formally amended or superseded by subsequent authorized documentation.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "NexusCore™ Platform Revenue" means recurring subscription fees generated from customer access to and usage of the Company's proprietary industrial artificial intelligence platform, including all modules, features, and capabilities thereof. This encompasses base subscription fees, module-specific charges, user license fees, and any usage-based components as specified in the applicable customer agreement.

2.2 "Professional Services Revenue" means fees earned from implementation, configuration, training, consulting, and custom development services provided to customers, including but not limited to: (a) Initial platform deployment and configuration services (b) Custom algorithm development and optimization (c) Data integration and migration services (d) User training and certification programs (e) Technical consulting and advisory services (f) Ongoing maintenance and support services beyond standard support

2.3 "Development Costs" means direct and indirect costs associated with the development of the Company's artificial intelligence technology, including: (a) Personnel costs for software engineers and data scientists (b) Cloud computing and data storage infrastructure (c) Third-party software licenses and tools (d) Quality assurance and testing expenses (e) Research and development equipment (f) Patent and intellectual property protection costs (g) Technical documentation and knowledge base development (h) Development environment and tooling costs

2.4 "Subscription Term" means the contracted period during which a customer is entitled to access and use the NexusCore™ Platform, typically ranging from twelve (12) to thirty-six (36) months. The term commences upon the earlier of: (a) Customer's first productive use of the platform (b) Completion of implementation services (c) Sixty (60) days following contract execution

2.5 "Implementation Period" means the time required to deploy and configure the NexusCore™ Platform for customer use, typically ranging from thirty (30) to ninety (90) days, subject to customer requirements and complexity factors.

2.6 "Platform Modules" means distinct functional components of the NexusCore™ Platform, including: (a) Predictive Analytics Engine (b) Machine Learning Optimizer (c) Industrial Process Controller (d) Data Integration Framework (e) Visualization Suite

2.7 "Service Level Agreement" or "SLA" means the guaranteed performance metrics and availability standards for the NexusCore™ Platform, including: (a) System uptime requirements (b) Response time thresholds (c) Issue resolution timeframes (d) Data backup frequencies (e) Recovery point objectives

2.8 "Intellectual Property Rights" means all rights in and to: (a) Patents, patent applications, and patent rights (b) Trade secrets and proprietary information (c) Copyrights, including software code and documentation (d) Trademarks, service marks, and trade names (e) Artificial intelligence models and algorithms (f) Training data and datasets (g) Technical processes and methodologies

2.9 "Customer Data" means all data, content, and information provided by or generated for customers through their use of the NexusCore™ Platform, including raw industrial data, processed outputs, and derived insights.

3.0 FINANCIAL REPORTING STANDARDS

3.1 Revenue Recognition Policies

3.1.1 NexusCore™ Platform Revenue shall be recognized in accordance with ASC 606, with the following criteria: (a) Identification of customer contracts, including written, oral, and implied agreements that meet enforceability standards and have clear commercial substance (b) Recognition of distinct performance obligations, evaluated based on the customer's ability to benefit from the good or service independently (c) Determination of transaction price, including variable consideration, significant financing components, non-cash consideration, and consideration payable to customers (d) Allocation of price to performance obligations based on relative standalone selling prices (e) Recognition of revenue upon satisfaction of obligations, whether at a point in time or over time

3.1.2 Subscription revenue shall be recognized ratably over the Subscription Term, commencing upon customer acceptance of the implemented platform, subject to the following conditions: (a) Monthly subscription fees shall be recognized on the first day of each subscription month (b) Annual prepaid subscriptions shall be recorded as deferred revenue and amortized monthly (c) Usage-based components shall be recognized based on actual usage metrics (d) Premium support services shall be recognized concurrent with the base subscription (e) Early termination fees shall be recognized when charged and collectibility is reasonably assured

3.1.3 Professional Services Revenue shall be recognized as follows: (a) Implementation services: Over the Implementation Period, measured by percentage of completion (b) Training services: Upon delivery of training, with multi-session programs recognized proportionally (c) Consulting services: As services are performed, based on actual hours delivered (d) Custom

development: Upon customer acceptance of deliverables (e) Travel and expense reimbursements: When incurred and billable

3.1.4 Contract Modifications and Changes: (a) Subscription upgrades shall be recognized prospectively (b) Downgrades shall be recognized with appropriate adjustments to deferred revenue (c) Service level credits shall be recognized as revenue reductions when issued (d) Contract extensions shall be treated as separate contracts when appropriate

3.2 Research and Development Capitalization

3.2.1 Development Costs shall be capitalized when all of the following criteria are met: (a) Technical feasibility has been established through detailed program design (b) Management has committed to completing the development via approved budgets (c) Resources are available to complete development, including personnel and infrastructure (d) The Company can demonstrate the ability to use or sell the technology through market analysis (e) Future economic benefits are probable, supported by business cases (f) Costs can be reliably measured through project accounting systems

3.2.2 Capitalized costs shall be amortized over the estimated useful life of the technology, not to exceed five (5) years, with the following considerations: (a) Amortization shall commence when the asset is available for use (b) The amortization method shall reflect the pattern of economic benefits (c) Useful life estimates shall be reviewed annually (d) Impairment assessments shall be conducted quarterly

3.3 Financial Statement Presentation

3.3.1 Revenue shall be disaggregated in financial statements and notes as follows: (a) Subscription revenue by product line (b) Professional services by service type (c) Geographic regions (d) Customer industry segments (e) Contract duration categories

3.3.2 Contract assets and liabilities shall be presented as: (a) Current and non-current portions on the balance sheet (b) Detailed rollforward in the notes (c) Significant changes explained in management discussion

3.4 Disclosure Requirements

3.4.1 The Company shall disclose: (a) Revenue recognition policies for each major revenue stream (b) Significant judgments in applying ASC 606 (c) Contract asset and liability balances and significant changes (d) Performance obligation descriptions and timing of satisfaction (e) Transaction price allocated to remaining performance obligations

3.4.2 Research and Development disclosures shall include: (a) Capitalization policy and criteria (b) Amortization methods and useful life assumptions (c) Carrying amounts of capitalized development costs (d) Amortization expense for the period (e) Impairment losses, if any

3.5 Policy Review and Updates

3.5.1 These Financial Reporting Standards shall be: (a) Reviewed annually by the Finance Committee (b) Updated for new accounting pronouncements (c) Approved by the Audit Committee (d) Documented in the Company's accounting policy manual

4.0 INTERNAL CONTROLS AND COMPLIANCE

4.1 Control Framework

4.1.1 The Company shall maintain internal controls in accordance with the COSO Framework and SOX requirements, including: (a) Control environment, encompassing organizational structure, authority delegation, and ethical standards (b) Risk assessment, including identification, analysis, and mitigation of operational and financial risks (c) Control activities, comprising policies, procedures, and technological safeguards (d) Information and communication systems supporting timely data exchange (e) Monitoring activities ensuring control effectiveness and continuous improvement

4.1.2 Framework Implementation Requirements: (a) Annual control environment assessment (b) Quarterly risk evaluation updates (c) Monthly control testing documentation (d) Real-time monitoring system maintenance (e) Independent third-party framework validation

4.2 Specific Control Requirements

4.2.1 Revenue Recognition Controls: (a) Contract review and approval procedures, including multi-level authorization (b) Performance obligation identification and documentation with detailed criteria (c) Revenue calculation and allocation reviews using standardized methodologies (d) Customer acceptance documentation with verification procedures (e) Monthly revenue recognition reconciliations against source documents (f) Automated revenue tracking system validation (g) Exception handling and documentation procedures

4.2.2 Development Cost Controls: (a) Project authorization procedures with specified approval thresholds (b) Capitalization criteria documentation aligned with GAAP requirements (c) Time tracking and allocation reviews with supporting evidence (d) Periodic impairment assessments using defined triggers (e) Amortization calculations and reviews with audit trails (f) Development milestone verification procedures (g) Cost allocation methodology documentation

4.2.3 Subscription Revenue Controls: (a) Automated billing system controls (b) Subscription modification tracking (c) Revenue deferral calculations (d) Customer usage monitoring (e) Pricing tier compliance verification

4.3 Compliance Requirements

4.3.1 Documentation Requirements: (a) Control activity logs (b) Test results and remediation plans (c) Training records (d) System access logs (e) Change management documentation

4.3.2 Reporting Requirements: (a) Monthly control effectiveness reports (b) Quarterly compliance summaries (c) Annual control framework assessment (d) Incident response documentation (e) Remediation tracking reports

4.3.3 Testing and Validation: (a) Quarterly control testing schedule (b) Independent audit coordination (c) Penetration testing requirements (d) User access reviews (e) System configuration validation

4.4 Compliance Certification

4.4.1 The Chief Financial Officer shall certify quarterly compliance with this framework through written attestation, including: (a) Control effectiveness statement (b) Material weakness disclosure (c) Remediation status updates (d) Risk assessment summary (e) Framework improvement recommendations

4.4.2 Certification must be supported by: (a) Testing documentation (b) Internal audit results (c) External audit opinions (d) Management representations (e) Supporting evidence retention

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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