

TAX MATTERS DOCUMENT 14

THIS TAX MATTERS DOCUMENT (this "Agreement") 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").

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

WHEREAS, the Company generates revenue through software licensing, implementation services, and related activities across multiple jurisdictions;

WHEREAS, the Company seeks to establish comprehensive guidelines for tax treatment of its various revenue streams and business activities; and

WHEREAS, the Company desires to document its tax compliance obligations and procedures relating to its artificial intelligence and software operations.

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

1.0 PURPOSE AND SCOPE

1.1 This Agreement establishes the framework for tax-related matters and compliance obligations applicable to the Company's operations, including:

(a) Treatment of software license revenue from the NexusCore™ Platform; (b) Implementation services and professional services revenue; (c) Research and development activities related to artificial intelligence and machine learning; (d) Multi-jurisdictional tax obligations; and (e) International tax considerations.

1.2 Geographic Scope. This Agreement applies to all jurisdictions where the Company:

(a) Maintains offices or employees; (b) Generates revenue from software licensing or services; (c) Conducts research and development activities; or (d) Otherwise creates tax nexus through business operations.

1.3 Revenue Recognition Methodology. The Company shall recognize revenue for tax purposes according to the following principles:

(a) SaaS License Revenue: Recognized ratably over the subscription term; (b) Implementation Services: Recognized as services are performed; (c) Professional Services: Recognized upon completion of defined milestones; and (d) Training Services: Recognized when delivered.

1.4 R&D Tax Treatment. Research and development activities related to artificial intelligence and machine learning shall be:

(a) Documented in accordance with IRC Section 41 requirements; (b) Tracked separately by project and technology component; and (c) Reviewed quarterly for tax credit qualification.

1.5 Apportionment Methodology. The Company shall utilize the following approaches for multi-state tax apportionment:

(a) Sales Factor: Based on customer location and point of use for software licenses; (b) Payroll Factor: Allocated according to employee work location, including remote workers; (c) Property Factor: Digital assets allocated based on server locations and data center infrastructure; and (d) Special considerations for cloud-based service delivery models.

1.6 International Tax Compliance. The Company shall maintain compliance with:

(a) Transfer pricing regulations for intercompany transactions; (b) Permanent establishment considerations for remote operations; (c) Value-added tax (VAT) obligations for digital services; and (d) Country-specific technology service tax requirements.

1.7 Documentation Requirements. The Company shall maintain:

(a) Detailed revenue allocation worksheets by jurisdiction; (b) Supporting documentation for R&D tax credit claims; (c) Records of software development activities and associated costs; (d) Customer location and usage data for tax nexus determination; and (e) International tax compliance documentation.

1.8 Periodic Review and Updates. The Company shall:

(a) Conduct quarterly reviews of tax positions and methodologies; (b) Update documentation for new product offerings or service models; (c) Assess impact of technological changes on tax treatment; and (d) Evaluate emerging tax regulations affecting software and AI services.

1.9 Special Considerations for AI Technology:

(a) Treatment of machine learning model development costs; (b) Allocation of computational resources across jurisdictions; (c) Tax implications of data processing and storage locations; and (d) Classification of AI-driven services for tax purposes.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 Defined Terms. The following terms shall have the meanings specified below:

"NexusCore™ Platform Revenue" means all revenue derived from licensing the Company's proprietary software platform, including subscription fees, usage-based charges, platform access fees, API consumption charges, data processing fees, and any other direct platform-related income streams. This encompasses both standard and enterprise licensing models, including but not limited to per-user pricing, transaction-based pricing, and capacity-based pricing structures.

"Implementation Services" means professional services provided to customers for initial deployment, configuration, and integration of the NexusCore™ Platform, including: (a) System architecture design and deployment; (b) Custom integration development; (c) Data migration and transformation services; (d) Environment configuration and optimization; (e) Security implementation and compliance setup; and (f) Initial user training and knowledge transfer.

"R&D Activities" means qualified research expenses as defined under IRC Section 41, specifically relating to: (a) Algorithm development, including creation, testing, and optimization of mathematical models; (b) Machine learning model training, including data preparation, model architecture design, and hyperparameter optimization; (c) Computer vision system enhancement, including image processing algorithms and neural network development; (d) Edge computing optimization, including distributed processing algorithms and network efficiency improvements; (e) Natural language processing advancement; and (f) Artificial intelligence model validation and verification procedures.

"International Revenue" means revenue generated from customers located outside the United States, subject to foreign tax jurisdiction, including: (a) Direct international sales; (b) Revenue through foreign subsidiaries; (c) Distributor-generated revenue; and (d) International licensing arrangements.

2.2 Revenue Classifications. For tax purposes, revenue shall be classified as:

(a) "Core Platform Revenue" - Income derived directly from the NexusCore™ Platform licensing and usage; (b) "Professional Services Revenue" - Income from implementation, consulting, and custom development services; (c) "Training Revenue" - Income from customer education, certification programs, and knowledge transfer activities; (d) "Maintenance Revenue" - Income from ongoing support, updates, and platform maintenance services; (e) "Data Processing Revenue" - Income from data handling, storage, and computational services; and (f) "Partner Revenue" - Income derived from partnership arrangements and revenue-sharing agreements.

2.3 Technology Classifications. The Company's technology components shall be classified as:

(a) "Proprietary Software" - Technology developed entirely by the Company, including: (i) Core platform architecture (ii) Proprietary algorithms (iii) Custom user interfaces (iv) Internal development tools

(b) "Licensed Third-Party Technology" - External technology incorporated under commercial licenses, including: (i) Database management systems (ii) Cloud infrastructure services (iii) Security frameworks (iv) Development tools and libraries

(c) "Open Source Components" - Software utilized under open source licenses, subject to: (i) License compliance requirements (ii) Attribution obligations (iii) Distribution restrictions (iv) Modification requirements

2.4 Service Level Classifications. Service commitments shall be categorized as:

(a) "Standard Support" - Basic platform support and maintenance (b) "Premium Support" - Enhanced support with priority response (c) "Enterprise Support" - Comprehensive support with dedicated resources (d) "Custom Support" - Tailored support arrangements for specific customer needs

2.5 Intellectual Property Categories. The Company's intellectual property shall be classified as:

(a) "Core IP" - Fundamental technology and algorithms (b) "Applied IP" - Implementation-specific developments (c) "Derivative IP" - Modifications and improvements (d) "Customer-Specific IP" - Custom developments for individual clients

2.6 Interpretation Rules. In interpreting these definitions:

(a) Technical terms shall be given their industry-standard meanings (b) Revenue classifications shall align with GAAP principles (c) Ambiguities shall be resolved in favor of maintaining IP protection (d) Terms shall be interpreted to maximize tax efficiency while maintaining compliance

3.0 TAX COMPLIANCE OBLIGATIONS

3.1 State Tax Obligations

(a) Nexus Determination. The Company shall: (i) Conduct quarterly nexus reviews to assess physical and economic presence; (ii) Monitor employee location and activities, including remote workers and traveling sales personnel; (iii) Track customer implementation locations and service delivery points; (iv) Document revenue by jurisdiction, including subscription and professional services; (v) Evaluate marketplace facilitator obligations where applicable; and (vi) Maintain documentation of nexus determination methodology and conclusions.

(b) Sales Tax Collection. The Company must: (i) Maintain current tax registrations in all applicable jurisdictions; (ii) Calculate applicable sales tax rates, including state, county, and local components; (iii) Collect and remit sales tax in accordance with filing deadlines; (iv) File returns in all required jurisdictions, including zero-dollar returns; (v) Document exempt sales with valid exemption certificates; and (vi) Maintain audit-ready documentation for all tax positions taken.

3.2 International Tax Compliance

(a) Transfer Pricing. The Company shall: (i) Maintain contemporaneous transfer pricing documentation; (ii) Review intercompany transactions quarterly for compliance; (iii) Update pricing studies annually or upon material business changes; (iv) File country-by-country reports as required by jurisdictions; (v) Document functional and risk analyses for all related parties; (vi) Maintain benchmarking studies supporting arm's length pricing; and (vii) Review and update advance pricing agreements as necessary.

(b) VAT Compliance. The Company must: (i) Register for VAT where required by local thresholds; (ii) Charge appropriate VAT rates based on customer location and status; (iii) File VAT returns timely in all applicable jurisdictions; (iv) Maintain supporting documentation for all VAT positions; (v) Track reverse charge mechanisms where applicable; (vi) Document place of supply determinations; and (vii) Maintain evidence of customer VAT status verification.

3.3 R&D Tax Credit Documentation

(a) Required Records. The Company shall maintain: (i) Project time tracking records with sufficient detail; (ii) Development milestone documentation and progress reports; (iii) Technical uncertainty evidence and resolution attempts; (iv) Research activity logs with contemporaneous notation; (v) Documentation of qualified research expenses (QREs); (vi) Evidence of systematic investigation processes; (vii) Records of abandoned research activities; and (viii) Documentation of research personnel qualifications.

(b) Supporting Documentation. The Company must retain: (i) Design documents and technical specifications; (ii) Test protocols and results; (iii) Patent applications and related correspondence; (iv) Project management documentation; (v) Internal technical meeting minutes; and (vi) Third-party research contracts and agreements.

3.4 Revenue Recognition Documentation

(a) The Company shall document: (i) Contract terms affecting revenue timing and recognition; (ii) Performance obligation completion criteria and evidence; (iii) Multi-element arrangement allocation methodologies; (iv) Variable consideration estimates and constraints; (v) Contract modification impacts on revenue recognition; (vi) Stand-alone selling price determinations; and (vii) Customer acceptance criteria and evidence.

(b) Implementation Requirements. The Company must: (i) Maintain detailed revenue recognition policies; (ii) Document systematic revenue recognition procedures; (iii) Retain evidence of management review and approval; (iv) Track contract asset and liability balances; (v) Document revenue recognition timing decisions; (vi) Maintain audit trail of recognition adjustments; and (vii) Record revenue recognition conclusions and rationale.

3.5 Tax Provision Documentation

(a) Required Documentation. The Company shall maintain: (i) Quarterly and annual tax provision calculations; (ii) Supporting schedules for all material items; (iii) Documentation of uncertain tax positions; (iv) Valuation allowance assessments; (v) State apportionment

calculations; (vi) Permanent and temporary difference analyses; and (vii) Effective tax rate reconciliations.

3.6 Compliance Monitoring and Reporting

(a) Internal Controls. The Company shall: (i) Maintain documented tax compliance procedures; (ii) Conduct periodic internal control testing; (iii) Document review and approval processes; (iv) Maintain tax compliance calendars; (v) Track filing deadlines and requirements; (vi) Document compliance exceptions and remediation; and (vii) Maintain evidence of management oversight.

(b) External Reporting. The Company must: (i) Prepare required tax disclosures for financial statements; (ii) Document tax positions for external auditors; (iii) Maintain support for public filing tax information; (iv) Track and document related party transactions; (v) Prepare transfer pricing documentation; and (vi) Maintain documentation of tax authority communications.

4.0 REPRESENTATIONS AND WARRANTIES

4.1 Tax Compliance Representations. The Company represents and warrants that:

(a) It has filed all required tax returns in all jurisdictions, including federal, state, local, and international tax authorities, with all such returns being complete, accurate, and prepared in accordance with applicable laws and regulations; (b) All taxes have been paid or adequately reserved, including income taxes, payroll taxes, sales and use taxes, property taxes, and any other applicable taxes, fees, or assessments; (c) No tax audits are pending or threatened, and no notices of examination, investigation, or inquiry have been received from any taxing authority within the past five (5) years; and (d) All tax positions are supported by appropriate documentation, including contemporaneous records, third-party validations, and expert opinions where necessary.

4.2 R&D Tax Credit Representations

(a) The Company represents that: (i) All claimed R&D activities qualify under applicable law, specifically meeting the four-part test established by IRC Section 41 and related regulations; (ii) Supporting documentation is maintained, including project records, time tracking data, technical specifications, and experimental validation results; (iii) Expenses are properly allocated between qualified research expenses (QREs) and non-qualified activities, with appropriate methodologies for wage allocation, supplies, and contract research; and (iv) Credit calculations are accurate and have been verified by qualified tax professionals.

(b) The Company further warrants that: (i) All claimed research activities constitute elements of a process of experimentation; (ii) The research is technological in nature, relying on principles of computer science, engineering, or physical sciences; (iii) The research is intended to eliminate technical uncertainty; and (iv) The research is intended to develop new or improved business components.

4.3 International Tax Representations

The Company represents compliance with: (a) Transfer pricing requirements, including: (i) Maintenance of contemporaneous documentation; (ii) Regular updates to functional and risk analyses; (iii) Appropriate intercompany agreements; and (iv) Arm's length pricing methodologies.

(b) Foreign tax registration obligations, including: (i) Permanent establishment determinations; (ii) Branch office registrations; (iii) Local entity requirements; and (iv) Economic substance compliance.

(c) VAT collection and remittance, including: (i) Digital service tax obligations; (ii) Electronic filing requirements; (iii) Invoice documentation standards; and (iv) Recovery procedures.

(d) International tax treaty provisions, including: (i) Withholding tax compliance; (ii) Beneficial ownership documentation; (iii) Limitation on benefits provisions; and (iv) Treaty election requirements.

4.4 State Tax Representations

The Company represents that: (a) Nexus determinations are current, including: (i) Economic nexus thresholds monitoring; (ii) Physical presence analysis; (iii) Factor presence evaluations; and (iv) Marketplace facilitator considerations.

(b) Sales tax collection procedures are compliant, including: (i) Software and digital good classifications; (ii) Exemption certificate management; (iii) Marketplace sales treatment; and (iv) Local tax rate determinations.

4.5 Intellectual Property Tax Representations

The Company represents and warrants that: (a) All IP-related tax positions are properly documented and supported; (b) Cost-sharing arrangements comply with applicable regulations; (c) IP migration transactions have been properly reported; and (d) Development costs are appropriately capitalized or expensed.

4.6 Compliance Maintenance

The Company represents ongoing maintenance of: (a) Tax compliance monitoring systems; (b) Internal control procedures; (c) Documentation retention policies; and (d) Regular compliance reviews.

IN WITNESS WHEREOF, the Company has executed this Tax Matters Document as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: _____ Name: James Wilson Title: Chief Financial Officer

EXHIBIT A: State Tax Nexus Analysis EXHIBIT B: R&D Tax Credit Documentation Requirements EXHIBIT C: International Tax Compliance Procedures

[Exhibits to follow]