

TAX MATTERS DOCUMENT 22

1.0 PREAMBLE AND RECITALS

THIS TAX MATTERS DOCUMENT 22 (this "Document") is made and entered into as of January 15, 2024 (the "Effective Date"), by and on behalf of NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation with its principal place of business at 2200 Innovation Drive, Suite 400, Wilmington, Delaware 19801 ("Company") (Delaware Entity File Number: 6374829; Federal EIN: 82-4739201), operating under the laws of the State of Delaware and in compliance with all applicable federal and state tax regulations.

WHEREAS, the Company is engaged in the business of developing and providing artificial intelligence and machine learning solutions for industrial applications through its proprietary NexusCore™ Industrial AI Platform, including but not limited to predictive maintenance systems, process optimization algorithms, and industrial automation solutions;

WHEREAS, the Company generates revenue through enterprise software-as-a-service licensing and related implementation services across multiple jurisdictions, including domestic and international markets, with varying tax implications and regulatory requirements;

WHEREAS, the Company seeks to establish comprehensive documentation regarding the tax treatment of its revenue streams and international operations, particularly concerning software licensing fees, service revenues, and intercompany transactions;

WHEREAS, this Document addresses the complexities of multi-jurisdictional tax compliance, transfer pricing methodologies, and the allocation of income across various tax jurisdictions; and

WHEREAS, this Document is intended to memorialize the Company's tax positions and methodologies with respect to its software licensing, service revenue, and cross-border transactions, in accordance with Internal Revenue Code sections 861-865, applicable treaties, and international tax conventions.

NOW, THEREFORE, the Company hereby adopts and establishes this Document as follows:

2.0 DEFINITIONS AND INTERPRETATIONS

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

(a) "AI/ML Services" means the artificial intelligence and machine learning capabilities provided through the NexusCore™ Platform, including but not limited to predictive

maintenance algorithms, computer vision systems, process optimization solutions, neural network implementations, and automated decision support frameworks.

(b) "Implementation Services" means professional services provided in connection with the deployment, configuration, and integration of the NexusCore™ Platform, including customization, data migration, system integration, training, and ongoing technical support services.

(c) "License Fees" means recurring subscription payments for access to and use of the NexusCore™ Platform, including base platform access, user seat licenses, compute resource allocation, and premium feature enablement.

(d) "Platform" means the Company's proprietary NexusCore™ Industrial AI Platform and all associated modules, features, capabilities, updates, modifications, derivatives, and improvements thereof.

(e) "SaaS Revenue" means revenue generated from subscription-based access to the Platform, excluding Implementation Services, hardware sales, and third-party integrations.

2.2 Revenue Recognition Principles

(a) "Performance Obligation" means a distinct promised good or service within a customer contract, including separately identifiable platform features, implementation milestones, and support commitments.

(b) "Revenue Allocation" means the methodology for attributing revenue across multiple performance obligations based on relative standalone selling prices and objective market evidence.

(c) "Subscription Term" means the period during which a customer maintains active Platform access rights, including initial terms, renewal periods, and any trial or evaluation periods.

(d) "Usage-Based Revenue" means revenue derived from customer consumption of platform resources, measured through API calls, compute hours, or data processing volumes.

2.3 Tax Classification Terms

(a) "Digital Services" means electronically supplied services as defined under applicable tax regulations, including software access, cloud computing, and automated computational services.

(b) "Nexus Determination" means the analysis of sufficient business presence to create tax obligations, considering factors such as server locations, customer support operations, and data processing activities.

(c) "Transfer Pricing" means the pricing methodology for intercompany transactions across jurisdictions, including platform access rights, technology licensing, and shared services allocation.

2.4 Technical Implementation Terms

- (a) "API Integration" means the programmatic interfaces and protocols enabling system interconnection and data exchange with the Platform.
- (b) "Data Processing Agreement" means the contractual framework governing the handling, storage, and processing of customer data within the Platform.
- (c) "Service Level Agreement" means the guaranteed performance metrics, availability standards, and remediation procedures applicable to Platform services.

2.5 Interpretation Principles

- (a) Technical terms not explicitly defined herein shall have their commonly understood meaning within the artificial intelligence and machine learning industry.
- (b) References to laws, regulations, or standards shall be interpreted as including all amendments, modifications, and successor provisions thereof.
- (c) The terms "including" and "includes" mean "including but not limited to" and "includes without limitation" respectively.

3.0 TAX TREATMENT OF SOFTWARE LICENSING

3.1 SaaS License Classification

- (a) The Platform shall be classified as a digital service for tax purposes, with recurring License Fees treated as service revenue rather than software license revenue.
- (b) Revenue recognition shall occur ratably over the Subscription Term as performance obligations are satisfied.
- (c) For purposes of value-added tax (VAT) and goods and services tax (GST) jurisdictions, the Platform shall be categorized as an electronically supplied service.
- (d) The Company shall maintain detailed records distinguishing between: (i) Core platform access fees (ii) Additional module subscription fees (iii) Usage-based charges (iv) Support and maintenance fees

3.2 Multi-jurisdictional Treatment

- (a) License Fees shall be subject to sales/use tax based on customer location and applicable nexus requirements.
- (b) The Company shall maintain documentation supporting nexus determinations in each jurisdiction.
- (c) Economic nexus thresholds shall be monitored on a quarterly basis, including: (i) Revenue thresholds per jurisdiction (ii) Transaction volume thresholds (iii) User location data (iv) Server and data center locations

(d) International tax considerations shall include: (i) Withholding tax obligations (ii) Permanent establishment risk assessment (iii) Transfer pricing documentation (iv) VAT/GST registration requirements

3.3 Implementation Services

(a) Implementation Services shall be classified separately from Platform access for tax purposes.

(b) Revenue from Implementation Services shall be recognized upon completion of defined milestones.

(c) Implementation Services shall be categorized as follows: (i) Technical configuration services (ii) Data migration services (iii) Training and education services (iv) Custom development services

(d) The Company shall maintain documentation evidencing: (i) Service delivery location (ii) Nature of services provided (iii) Completion of performance obligations (iv) Customer acceptance criteria

3.4 Revenue Allocation Methodology

(a) For contracts containing multiple performance obligations, revenue shall be allocated based on relative standalone selling prices.

(b) The Company shall maintain documentation supporting allocation methodologies.

(c) Standalone selling price determination shall consider: (i) Observable pricing for separate sales (ii) Market conditions and competitor pricing (iii) Company-specific factors (iv) Cost plus reasonable margin analysis

3.5 Tax Compliance Requirements

(a) The Company shall maintain real-time tax calculation capabilities through: (i) Automated tax determination systems (ii) Regular tax rate and rule updates (iii) Jurisdiction-specific tax matrices (iv) Customer exemption certificate management

(b) Documentation requirements shall include: (i) Tax registration certificates (ii) Sales tax returns and supporting schedules (iii) Exemption and resale certificates (iv) Audit trail of tax determinations

3.6 Special Tax Considerations

(a) Treatment of customization services: (i) Assessment of taxability based on deliverable type (ii) Classification of custom software development (iii) Integration service tax treatment (iv) Documentation of custom versus standard features

(b) International tax compliance: (i) Country-specific digital service tax obligations (ii) EU VAT MOSS requirements (iii) B2B versus B2C transaction treatment (iv) Cross-border service provisions

3.7 Tax Reporting and Remittance

(a) The Company shall establish processes for: (i) Monthly tax liability reconciliation (ii) Jurisdiction-specific filing schedules (iii) Tax payment processing (iv) Record retention requirements

(b) Audit support procedures shall include: (i) Transaction detail maintenance (ii) Tax calculation documentation (iii) Customer location verification (iv) Supporting business records

3.8 Tax Risk Management

(a) The Company shall implement controls for: (i) Regular review of tax positions (ii) Monitoring of legislative changes (iii) Assessment of tax exposure (iv) Documentation of tax decisions

(b) Periodic reviews shall be conducted to ensure: (i) Compliance with filing obligations (ii) Accuracy of tax calculations (iii) Completeness of tax documentation (iv) Currency of tax registrations

4.0 INTERNATIONAL TAX CONSIDERATIONS

4.1 North American Operations

(a) U.S. federal income tax treatment shall follow ASC 606 revenue recognition principles, including: (i) Performance obligation identification and allocation methodologies (ii) Recognition timing for subscription-based services (iii) Treatment of contract modifications and variable consideration (iv) Implementation of multi-element arrangement principles

(b) State and local tax obligations shall be determined based on economic nexus standards, considering: (i) Revenue thresholds for each jurisdiction (ii) Digital service tax implications (iii) Marketplace facilitator obligations (iv) Local sourcing rules for cloud-based services

4.2 European Operations

(a) Value Added Tax (VAT) shall apply to digital services provided to EU customers, encompassing: (i) One-Stop Shop (OSS) compliance requirements (ii) B2B and B2C transaction differentiation (iii) Place of supply determinations (iv) Electronic invoicing requirements (v) Real-time reporting obligations where applicable

(b) The Company shall maintain VAT registrations as required by jurisdiction, including: (i) Threshold monitoring and registration triggers (ii) Local fiscal representative appointments (iii) Periodic compliance obligations (iv) Record-keeping requirements (v) Digital service reporting requirements

4.3 Transfer Pricing

(a) All intercompany transactions shall be conducted at arm's length prices, with consideration for: (i) Functional and risk analysis documentation (ii) Comparable company benchmarking

(iii) Cost-plus arrangements for support services (iv) Profit split methodologies for high-value activities (v) Annual review and adjustment procedures

(b) Transfer pricing documentation shall be maintained in accordance with OECD guidelines, including: (i) Master file requirements (ii) Local file documentation (iii) Country-by-country reporting obligations (iv) Contemporaneous documentation standards (v) Advanced pricing agreement considerations

4.4 Intellectual Property

(a) Tax treatment of IP ownership shall follow development cost allocation agreements, addressing: (i) Cost sharing arrangement documentation (ii) Buy-in payment calculations (iii) Platform contribution transaction analysis (iv) Periodic adjustments methodology (v) Exit charge provisions

(b) Cross-border IP licensing shall be documented with appropriate transfer pricing support, including: (i) Royalty rate benchmarking (ii) Economic ownership analysis (iii) Withholding tax implications (iv) Treaty benefit documentation

4.5 Compliance and Reporting

(a) The Company shall maintain comprehensive compliance procedures for: (i) Global tax provision calculations (ii) Uncertain tax position documentation (iii) Tax audit response protocols (iv) Information reporting requirements

(b) Regular review and updates shall be conducted for: (i) Changes in international tax law (ii) Digital service tax developments (iii) Transfer pricing methodologies (iv) Documentation requirements

4.6 Risk Management

(a) The Company shall implement risk assessment procedures for: (i) Permanent establishment exposure (ii) Digital service tax obligations (iii) Transfer pricing adjustments (iv) Indirect tax compliance

(b) Mitigation strategies shall be maintained for: (i) Cross-border transaction structuring (ii) Tax authority inquiries (iii) Documentation requirements (iv) Compliance monitoring

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Compliance

The Company hereby represents and warrants that:

(a) All tax returns and filings are complete and accurate in all material respects, including but not limited to federal, state, local, and international tax obligations;

- (b) The Company maintains appropriate documentation supporting its tax positions, including contemporaneous records, transfer pricing studies, and supporting calculations;
- (c) All required tax registrations are current and valid in each jurisdiction where the Company conducts business operations;
- (d) The Company complies with applicable tax regulations in all jurisdictions of operation, including nexus requirements and digital service taxes;
- (e) All sales, use, and value-added tax obligations are properly calculated, collected, and remitted;
- (f) The Company maintains adequate internal controls to ensure ongoing tax compliance; and
- (g) There are no pending or threatened tax audits, investigations, or disputes with any taxing authority.

5.2 Revenue Recognition

The Company hereby represents and warrants that:

- (a) Revenue recognition methodologies comply with ASC 606 and all applicable accounting standards;
- (b) Performance obligation identification is documented and supportable for all customer contracts;
- (c) Revenue allocation methodologies are consistently applied across all business segments;
- (d) Supporting documentation is maintained for all material revenue streams;
- (e) Contract modifications are properly evaluated and documented;
- (f) Variable consideration is estimated using appropriate methods; and
- (g) Significant financing components are properly identified and accounted for.

5.3 Artificial Intelligence and Machine Learning Services

The Company hereby represents and warrants that:

- (a) Revenue from AI/ML services is recognized in accordance with specific performance obligations;
- (b) Usage-based pricing models are supported by accurate usage tracking systems;
- (c) Training data and model development costs are properly capitalized or expensed;
- (d) Revenue recognition for hybrid services appropriately distinguishes between AI and non-AI components; and
- (e) Tax treatment of AI/ML services complies with emerging regulatory guidance.

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

EXHIBIT A

Revenue Classification Guidelines [Detailed guidelines omitted for brevity]

EXHIBIT B

Transfer Pricing Documentation Requirements [Documentation requirements omitted for brevity]

APPENDIX 1

Jurisdiction-Specific Tax Requirements [Jurisdictional requirements omitted for brevity]