

FINANCIAL AND ACCOUNTING DOCUMENT 32

ACCOUNTING STANDARDS AND PROCEDURES AGREEMENT

THIS ACCOUNTING STANDARDS AND PROCEDURES AGREEMENT (this "Agreement") 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 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company").

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

WHEREAS, the Company seeks to establish standardized accounting procedures and financial reporting standards appropriate for its technology-focused business model; and

WHEREAS, the Company desires to document its accounting policies in compliance with Generally Accepted Accounting Principles ("GAAP"), ASC 606, ASC 350-40, and other applicable accounting standards.

NOW, THEREFORE, the Company hereby adopts the following accounting standards and procedures:

1.0 INTRODUCTION AND PARTIES

1.1 Document Identification This Financial and Accounting Document 32 ("FIN-32") constitutes the official accounting standards and procedures of Nexus Industrial Intelligence, Inc., a corporation duly organized and existing under the laws of the State of Delaware, File No. 6789012, with its principal place of business at 4200 Innovation Drive, Suite 500, Wilmington, Delaware 19801 ("Company").

1.2 Corporate Authority This Agreement has been duly authorized by resolution of the Board of Directors of the Company on January 10, 2024, and is executed by David Kumar, Chief Financial Officer, as the authorized representative of the Company. The authority granted herein derives from Article VII, Section 4 of the Company's bylaws and Corporate Resolution 2024-03.

1.3 Purpose and Scope This Agreement establishes binding accounting policies and procedures for all financial operations, reporting, and disclosures of the Company, including its subsidiaries and controlled affiliates. The provisions herein apply to all domestic and

international operations, joint ventures where the Company maintains majority control, and special purpose vehicles established under the Company's authority. This document supersedes all previous accounting policies and procedures, including but not limited to FIN-31 and its amendments, and shall be binding upon all officers, employees, contractors, and agents acting on behalf of the Company in any financial capacity.

2.0 DEFINITIONS AND INTERPRETATIONS

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

(a) "NexusCore™ Platform" means the Company's proprietary software platform that combines computer vision, machine learning, and edge computing capabilities to provide industrial process optimization, predictive maintenance, and quality control solutions, including all associated modules, APIs, user interfaces, and documentation.

(b) "Recurring Revenue" means subscription fees from NexusCore™ Platform licenses, recognized ratably over the subscription term, including but not limited to base platform fees, module-specific charges, user seat licenses, and storage fees.

(c) "Professional Services Revenue" means implementation, training, and consulting services related to the NexusCore™ Platform, including customization, integration services, and technical support beyond standard maintenance.

(d) "Core IP" means the Company's proprietary artificial intelligence algorithms, machine learning models, computer vision systems, and associated software code, including all derivatives, improvements, and modifications thereof.

2.2 Financial Thresholds

(a) "Material Transaction" means any transaction exceeding \$250,000 individually or \$1,000,000 in aggregate during any fiscal year, including platform licenses, professional services engagements, and strategic partnerships.

(b) "Significant Customer" means any customer accounting for more than 5% of annual recurring revenue in any trailing twelve-month period.

(c) "Strategic Partnership" means any commercial relationship involving revenue sharing, joint development, or co-marketing arrangements exceeding \$500,000 in annual value.

2.3 Technical Classifications

(a) "AI/ML Development Costs" means direct costs incurred in creating, testing, and deploying artificial intelligence and machine learning capabilities, including personnel expenses, computing resources, data acquisition, and third-party tools.

(b) "Platform Enhancement" means any material improvement to the NexusCore™ Platform's functionality, performance, or capabilities that significantly impacts user experience or operational efficiency.

2.4 Operational Definitions

(a) "Implementation Period" means the duration between contract execution and full platform deployment, typically ranging from 30 to 180 days based on complexity.

(b) "Service Level Agreement (SLA)" means the guaranteed platform availability and performance metrics, measured as a percentage of uptime during each calendar month.

(c) "Usage Metrics" means quantifiable measures of platform utilization, including active users, API calls, data processing volume, and model inference requests.

2.5 Compliance and Security

(a) "Security Standards" means industry-recognized frameworks and certifications including SOC 2, ISO 27001, and GDPR compliance requirements.

(b) "Data Protection Measures" means technical and organizational security controls implemented to protect customer data, including encryption, access controls, and audit logging.

2.6 Interpretations

(a) References to monetary amounts are in United States dollars unless otherwise specified.

(b) Technical terms not explicitly defined herein shall have their commonly understood meaning within the artificial intelligence and machine learning industry.

(c) References to time periods shall be calculated in calendar days unless business days are specifically indicated.

(d) The terms "including" and "includes" mean "including but not limited to" and "includes without limitation" respectively.

3.0 FINANCIAL REPORTING STANDARDS

3.1 General Principles

(a) All financial statements shall be prepared in accordance with GAAP and applicable SEC requirements for technology companies, including: (i) Quarterly (Form 10-Q) and annual (Form 10-K) reporting requirements (ii) Management Discussion and Analysis (MD&A) disclosures (iii) Segment reporting for distinct business units (iv) Related party transaction disclosures (v) Critical accounting estimates and policies documentation

(b) The Company shall maintain internal controls in compliance with Sarbanes-Oxley Act requirements, specifically: (i) Documentation of control procedures and risk assessment (ii)

Quarterly certification by CEO and CFO (iii) Annual independent auditor attestation (iv) Regular testing and updates of control effectiveness (v) Maintenance of audit trail documentation

3.2 Revenue Recognition

(a) Subscription Revenue Recognition (i) Platform subscription fees shall be recognized ratably over the subscription term (ii) Setup fees shall be recognized over the expected customer relationship period (iii) Usage-based fees shall be recognized as consumed (iv) Multi-element arrangements shall be allocated based on standalone selling prices (v) Contract modifications shall be evaluated for treatment as separate contracts

(b) Professional Services Revenue Recognition (i) Time and materials services shall be recognized as delivered (ii) Fixed-price services shall use percentage of completion method (iii) Milestone-based contracts shall recognize revenue upon acceptance (iv) Change orders shall be evaluated for separate performance obligations (v) Training services shall be recognized upon delivery of sessions

(c) Contract Modifications and Variable Consideration (i) Price concessions shall be treated as variable consideration (ii) Volume discounts shall be estimated and updated quarterly (iii) Service credits shall reduce transaction price (iv) Extended payment terms shall be evaluated for significant financing component

3.3 Research and Development

(a) R&D Expenditure Classification (i) Internal-use software development costs shall be capitalized upon reaching technological feasibility (ii) Research costs shall be expensed as incurred (iii) AI/ML development costs shall be evaluated for capitalization under ASC 350-40 (iv) Cloud computing implementation costs shall follow ASU 2018-15 guidance (v) Patent development costs shall be capitalized when legally secured

(b) Capitalization Thresholds (i) Individual development projects exceeding \$100,000 (ii) Expected useful life of three years or greater (iii) Demonstrable future economic benefit (iv) Documentation of technical feasibility required (v) Regular impairment assessment procedures

3.4 Special Considerations for Technology Operations

(a) Cloud Services Accounting (i) Implementation costs for cloud computing arrangements (ii) Hosting arrangements classification criteria (iii) Service level agreement compliance monitoring (iv) Data center cost allocation methodology (v) Third-party technology integration accounting

(b) Intellectual Property (i) Acquired IP amortization schedules (ii) Internal IP development cost treatment (iii) Patent portfolio valuation methodology (iv) License agreement revenue recognition (v) Technology transfer pricing considerations

3.5 Disclosure Requirements

(a) Segment Reporting (i) Geographic revenue disaggregation (ii) Product line revenue presentation (iii) Customer concentration disclosure (iv) Operating segment identification criteria (v) Allocation of corporate overhead

(b) Non-GAAP Measures (i) Reconciliation to GAAP metrics required (ii) Consistent presentation across periods (iii) Clear labeling and prominence guidelines (iv) Disclosure of calculation methodology (v) Compliance with SEC guidance on non-GAAP measures

3.6 Monitoring and Compliance

(a) Regular Review Procedures (i) Quarterly assessment of accounting policies (ii) Annual review of capitalization thresholds (iii) Periodic evaluation of useful life estimates (iv) Contract modification impact analysis (v) Revenue recognition timing verification

(b) Documentation Requirements (i) Maintenance of technical accounting positions (ii) Support for significant judgments and estimates (iii) Contemporaneous documentation of complex transactions (iv) Audit trail for revenue recognition decisions (v) Evidence of internal control effectiveness

4.0 INTELLECTUAL PROPERTY ACCOUNTING

4.1 Valuation Methodology

(a) Core IP shall be valued using a combination of: (i) Cost approach for internally developed components, including direct labor, materials, and allocated overhead costs (ii) Market approach for industry-standard components, referencing comparable market transactions and licensing agreements (iii) Income approach for revenue-generating algorithms, utilizing discounted cash flow analysis and projected revenue streams

(b) Specific valuation considerations shall include: (i) Technical obsolescence factors (ii) Market penetration rates (iii) Competitive advantage periods (iv) Development stage adjustments (v) Risk-adjusted discount rates specific to IP asset classes

4.2 Amortization Policies

(a) Capitalized software costs shall be amortized over 3-5 years, with: (i) Core platform components amortized over 5 years (ii) Application-specific modules amortized over 3 years (iii) Customer-specific customizations amortized over contract term

(b) Patents shall be amortized over their legal life, considering: (i) Jurisdiction-specific patent terms (ii) Extension periods, if applicable (iii) Residual value assessments (iv) Commercial viability periods

(c) Core IP shall be evaluated annually for impairment, including: (i) Algorithm effectiveness metrics (ii) Market adoption rates (iii) Technical performance indicators (iv) Revenue generation capability

4.3 Impairment Testing

- (a) Annual impairment testing shall be conducted for all material IP assets through: (i) Quantitative assessments using discounted cash flow models (ii) Qualitative evaluations of market conditions (iii) Technical obsolescence reviews (iv) Competitive position analysis
- (b) Triggering events requiring immediate impairment testing: (i) Significant technological advances by competitors (ii) Material customer losses exceeding 20% of related revenue (iii) Regulatory changes affecting IP utilization (iv) Unexpected technical performance degradation (v) Material changes in market conditions (vi) Significant cybersecurity incidents

4.4 Capitalization Criteria

- (a) Development costs shall be capitalized when: (i) Technical feasibility is established (ii) Management commits to completion (iii) Resources are available for completion (iv) Future economic benefits are probable (v) Costs can be reliably measured
- (b) Specific cost elements eligible for capitalization: (i) Direct labor for development activities (ii) Third-party development services (iii) Testing and validation costs (iv) Patent application and registration fees (v) Direct materials and specialized equipment

4.5 Disclosure Requirements

- (a) Financial statement disclosures shall include: (i) Carrying amounts by major IP category (ii) Accumulated amortization schedules (iii) Impairment loss calculations (iv) Significant assumptions in valuations (v) Changes in estimation methodologies
- (b) Supplementary disclosures shall address: (i) IP protection measures (ii) Geographic distribution of rights (iii) Material licensing arrangements (iv) Development pipeline status (v) Risk factors affecting valuation

4.6 Review and Documentation

- (a) Quarterly reviews shall be conducted to: (i) Update valuation assumptions (ii) Assess capitalization decisions (iii) Review amortization schedules (iv) Document impairment indicators (v) Validate carrying amounts