

TAX MATTERS DOCUMENT

Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company"), develops and provides proprietary artificial intelligence and machine learning solutions for industrial applications;

WHEREAS, the Company desires to establish comprehensive guidelines for the treatment of tax matters relating to its operations, including its NexusCore™ Industrial AI Platform and related services;

NOW, THEREFORE, the Company hereby adopts and implements the following Tax Matters Document:

1.0 PURPOSE AND SCOPE

1.1 This Tax Matters Document (the "Document") establishes the framework for tax-related matters and obligations of the Company across all jurisdictions in which it conducts business. The provisions herein shall be binding upon all subsidiaries, affiliates, and controlled entities of the Company.

1.2 **Scope of Coverage.** This Document shall govern: (a) Federal, state, and international tax treatment of the Company's operations; (b) Revenue recognition methodologies for SaaS licensing and implementation services; (c) Tax treatment of research and development activities; (d) Cost allocation methodologies for technology development; (e) Transfer pricing considerations for cross-border transactions; and (f) Tax compliance procedures for emerging technology deployments.

1.3 **Technology Development Cost Allocation.** The Company shall: (a) Capitalize eligible artificial intelligence and machine learning development costs pursuant to IRC Section 174; (b) Allocate development costs between: (i) Core platform development (ii) Customer-specific implementations (iii) Research activities qualifying for R&D tax credits (c) Document all technical activities supporting development cost categorization; (d) Maintain contemporaneous records demonstrating nexus between expenses and qualified activities; and (e) Review allocation methodologies quarterly for continued appropriateness.

1.4 **SaaS Revenue Treatment.** The Company shall recognize revenue from its NexusCore™ platform: (a) On a ratable basis over the subscription term for SaaS licenses (b) Based on completion percentage for implementation services (c) In accordance with ASC 606 guidelines

for software revenue recognition (d) With separate performance obligations identified for: (i) Software licensing rights (ii) Implementation services (iii) Technical support and maintenance (iv) Custom development work

1.5 Jurisdictional Considerations. The Company shall: (a) Apply appropriate nexus standards for each jurisdiction; (b) Monitor threshold activities triggering tax obligations; (c) Maintain documentation supporting permanent establishment determinations; (d) Review international tax treaty implications quarterly; and (e) Implement jurisdiction-specific compliance protocols for digital service taxes.

1.6 Document Review and Updates. This Document shall be reviewed annually and updated as necessary to reflect changes in tax law, business operations, and technology developments.

2.0 TAX CLASSIFICATIONS AND ELECTIONS

2.1 Federal Tax Classification (a) The Company shall maintain its status as a C-Corporation for federal tax purposes (b) All subsidiary entities shall be treated as disregarded entities unless otherwise elected (c) The Company shall file Form 8832 for any intended entity classification changes (d) Annual review of classification optimization shall be conducted by qualified tax professionals (e) Special purpose vehicles (SPVs) created for AI/ML ventures shall default to corporate classification

2.2 State Tax Nexus (a) The Company acknowledges nexus in jurisdictions where: (i) Physical presence exists through employees or offices (ii) Economic nexus thresholds are met through revenue or digital presence (iii) Software licensing or cloud services are provided to in-state customers (iv) Remote employees perform substantial work activities (b) The Company shall monitor and comply with evolving state nexus standards for digital services (c) Documentation requirements include: (i) Revenue tracking by jurisdiction (ii) Employee location records (iii) Digital service delivery metrics (iv) Server and data center locations

2.3 R&D Tax Credit Qualification (a) The Company shall maintain documentation supporting qualified research expenses including: (i) Employee time tracking for development activities (ii) Contractor expenses related to technology development (iii) Cloud computing costs for AI/ML development (iv) Hardware and infrastructure expenses for experimental activities (b) Research activities must satisfy the four-part test under IRC Section 41 (c) Specific documentation requirements for AI/ML activities: (i) Model development and training logs (ii) Experimental protocols and results (iii) Technical uncertainty documentation (iv) Process improvement metrics

2.4 International Tax Considerations (a) European operations shall be structured to comply with: (i) OECD transfer pricing guidelines (ii) Digital services tax requirements (iii) Permanent establishment regulations (b) Transfer pricing documentation shall include: (i) Functional analysis of AI/ML operations (ii) Risk allocation between jurisdictions (iii) Valuation of

intangible assets (c) VAT registration and compliance requirements: (i) Digital service provision tracking (ii) Cross-border transaction documentation (iii) OSS registration where applicable

2.5 Tax Election Documentation (a) The Company shall maintain comprehensive records of all tax elections including: (i) Entity classification elections (ii) Research credit computation methods (iii) State apportionment elections (iv) International tax treaty positions (b) Election documentation must include: (i) Supporting analysis and calculations (ii) Board approval documentation (iii) Filing confirmations (iv) Renewal or revocation deadlines (c) Annual review of elections shall be conducted to ensure: (i) Continued qualification (ii) Optimization of tax positions (iii) Compliance with changing regulations (iv) Documentation adequacy

3.0 REVENUE RECOGNITION AND REPORTING

3.1 SaaS Revenue Recognition Methodology (a) Subscription revenue shall be recognized ratably over the contract term, commencing on the date when the service is made available to the customer (b) Implementation services shall be recognized as performed, based on measurable milestones or time-and-materials basis (c) Multi-year contracts shall be evaluated for separate performance obligations, with consideration given to: (i) Distinct service components (ii) Standalone selling prices (iii) Material rights and renewal options (d) Revenue recognition shall be adjusted for: (i) Volume discounts and rebates (ii) Service level credits (iii) Early termination provisions (iv) Contract modifications

3.2 State Revenue Allocation (a) SaaS revenue shall be sourced based on customer location, determined by: (i) Primary user location for single-site deployments (ii) Multiple user locations weighted by actual usage (iii) Principal place of business when user location is indeterminate (b) Implementation services shall be sourced to service delivery location, considering: (i) Physical presence of service personnel (ii) Location of customer's infrastructure (iii) Remote service delivery arrangements (c) Market-based sourcing rules shall apply where adopted by states, with: (i) Regular monitoring of state-specific requirements (ii) Documentation of nexus determinations (iii) Periodic review of apportionment methodologies

3.3 Documentation Requirements (a) The Company shall maintain detailed records of: (i) Contract terms and pricing, including: - Subscription fees and payment schedules - Implementation service rates - Custom development arrangements - Service level agreements (ii) Performance obligation satisfaction, including: - Service activation dates - Implementation milestones - Acceptance criteria - Usage metrics (iii) Revenue allocation methodologies, including: - Standalone selling price calculations - Fair value determinations - Multi-element arrangement considerations (b) Documentation shall be retained for minimum seven (7) years from: (i) Contract termination date (ii) Final revenue recognition date (iii) Last tax filing date

3.4 Revenue Reporting and Reconciliation (a) Monthly revenue recognition schedules shall be prepared showing: (i) Recognized revenue by product/service type (ii) Deferred revenue

balances (iii) Contract asset/liability positions (b) Quarterly reconciliations shall be performed between: (i) Revenue recognition schedules (ii) General ledger accounts (iii) Customer billing records (c) Annual revenue analysis shall include: (i) Performance obligation satisfaction status (ii) Contract modification impacts (iii) State allocation methodologies (iv) Revenue recognition policy compliance

3.5 Special Considerations (a) Material contract modifications shall trigger: (i) Re-evaluation of performance obligations (ii) Adjustment of revenue recognition schedules (iii) Updated state allocation analysis (b) Foreign currency transactions shall be: (i) Recorded at transaction date exchange rates (ii) Adjusted for period-end exchange rates (iii) Monitored for material currency impacts (c) Related party transactions shall receive: (i) Enhanced documentation requirements (ii) Independent price verification (iii) Special disclosure consideration

4.0 TAX COMPLIANCE OBLIGATIONS

4.1 Filing Requirements (a) Federal returns due annually by April 15 with extensions as needed, including Form 1120 for corporations and associated schedules (b) State returns filed based on respective due dates, with particular attention to nexus determinations and apportionment methodologies (c) International filings coordinated with local advisors, including country-by-country reporting under BEPS requirements (d) Quarterly estimated tax payments submitted according to IRC Section 6655 safe harbor provisions (e) Information returns, including Forms 1099 and 1096, filed by January 31 annually

4.2 Documentation Standards (a) Transfer pricing documentation updated annually, incorporating contemporaneous analysis of controlled transactions (b) R&D credit support maintained contemporaneously, including project tracking, qualified research expenses, and technological advancement documentation (c) Nexus determination records reviewed quarterly, incorporating economic presence standards post-Wayfair (d) Digital asset transaction records maintained with blockchain verification data (e) Intellectual property valuation documentation updated bi-annually (f) Cost-sharing arrangement documentation maintained pursuant to Treasury Regulation §1.482-7

4.3 Record Retention Requirements (a) Primary tax records retained for minimum seven years from filing date (b) Permanent records, including incorporation documents and capital asset records, maintained indefinitely (c) Electronic records stored with redundant backup systems and encryption (d) Access controls implemented for sensitive tax documentation (e) Annual archival procedure conducted for expired retention periods

4.4 Audit Procedures (a) Tax authority inquiries directed to CFO or designated tax counsel within 24 hours of receipt (b) Documentation requests fulfilled within 30 days, with extension requests submitted if necessary (c) External advisors engaged for material audits exceeding \$500,000 in disputed amounts (d) Internal audit response team assembled within 48 hours of

receiving notice (e) Contemporaneous documentation of all audit-related communications maintained

4.5 Compliance Monitoring (a) Quarterly internal reviews of compliance obligations conducted (b) Annual risk assessment performed for all jurisdictions where business is conducted (c) Technology systems validated annually for tax calculation accuracy (d) Regular updates to tax provision calculations under ASC 740 (e) Monthly reconciliation of book-to-tax differences maintained

4.6 Special Industry Considerations (a) Software development costs categorized according to Revenue Procedure 2000-50 (b) Cloud computing revenue recognition aligned with tax treatment (c) Cryptocurrency transactions documented with specific identification methods (d) Platform economy revenue reported consistent with marketplace facilitator laws (e) Cross-border digital service tax obligations monitored and documented

5.0 INTERNATIONAL TAX CONSIDERATIONS

5.1 Transfer Pricing (a) Intercompany transactions priced at arm's length in accordance with OECD Guidelines (b) Annual documentation requirements: (i) Functional analysis detailing operational roles and responsibilities (ii) Economic analysis incorporating industry benchmarks and profit indicators (iii) Comparability analysis with documented adjustments (c) Advanced Pricing Agreements (APAs): (i) Bilateral agreements pursued for material transactions (ii) Documentation renewal every three years (iii) Annual compliance reports submitted to tax authorities

5.2 IP Ownership (a) Core IP maintained by U.S. parent entity with following provisions: (i) Clear delineation of development rights (ii) Geographic restrictions on usage (iii) Sublicensing limitations (b) Development cost sharing agreements implemented as needed: (i) Buy-in payments structured according to IRC Section 482 (ii) Periodic adjustments based on actual development costs (iii) Annual true-up mechanisms implemented (c) License agreements structured to optimize tax efficiency: (i) Royalty rates benchmarked to industry standards (ii) Withholding tax implications considered (iii) Treaty benefits properly documented

5.3 VAT Compliance (a) Registration requirements monitored in each jurisdiction: (i) Threshold calculations performed quarterly (ii) Local fiscal representative appointed where required (iii) Registration modifications updated as needed (b) Quarterly VAT returns filed where required: (i) Input VAT recovery procedures documented (ii) Reverse charge mechanisms implemented (iii) Cross-border transaction reporting (c) Digital service tax obligations evaluated regularly: (i) Revenue thresholds monitored (ii) User-based calculations maintained (iii) Compliance calendar established

5.4 Permanent Establishment Considerations (a) Regular assessment of fixed place of business: (i) Physical presence monitoring (ii) Server location impact analysis (iii) Agency

arrangements reviewed (b) Attribution of profits methodology: (i) Authorized OECD approach applied (ii) Profit split methods documented (iii) Risk allocation assessed (c) Compliance obligations: (i) Local country filings maintained (ii) Branch profit tax calculations (iii) Treaty position documentation

5.5 Documentation and Reporting (a) Country-by-Country Reporting requirements: (i) Annual submission procedures (ii) Master file maintenance (iii) Local file updates (b) Supporting documentation retention: (i) Seven-year minimum retention period (ii) Electronic archiving protocols (iii) Audit trail maintenance

DEFINITIONS

"AI" means artificial intelligence "ML" means machine learning "R&D" means research and development "SaaS" means Software as a Service "VAT" means Value Added Tax

GOVERNING LAW

This Document shall be governed by and construed in accordance with the laws of the State of Delaware.

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

EXHIBIT A: State Nexus Analysis Matrix EXHIBIT B: R&D Credit Qualification Procedures
EXHIBIT C: Transfer Pricing Documentation Requirements