FINANCIAL AND ACCOUNTING DOCUMENT 27

ACCOUNTING POLICIES AND PROCEDURES CERTIFICATION

THIS ACCOUNTING POLICIES AND PROCEDURES CERTIFICATION (this "Certification") 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 (the "Company").

WHEREAS, the Company is a provider of proprietary artificial intelligence-powered software solutions for industrial process optimization, including its flagship NexusCore™ Industrial AI Platform;

WHEREAS, the Company has completed its Series C financing and maintains certain financial reporting obligations to its investors and stakeholders;

WHEREAS, the Company desires to formally document its accounting policies and procedures in accordance with applicable accounting standards and regulatory requirements; and

WHEREAS, the Company acknowledges the necessity of establishing comprehensive accounting methodologies specifically tailored to artificial intelligence software revenue recognition and related financial matters.

NOW, THEREFORE, the Company hereby certifies and agrees as follows:

1. Revenue Recognition Framework. The Company shall recognize revenue in accordance with Accounting Standards Codification (ASC) 606, implementing a five-step model for all customer contracts: a) Identification of customer contracts meeting enforceability and collectibility criteria; b) Determination of distinct performance obligations within each contract; c) Establishment of transaction prices, including variable consideration components; d) Allocation of transaction prices to performance obligations; and e) Recognition of revenue upon satisfaction of performance obligations.

2. Subscription Revenue Treatment. The Company shall account for subscription-based revenue as follows: a) Recognition of subscription fees ratably over the contract term; b) Treatment of implementation fees as distinct performance obligations; c) Capitalization of commission costs over the expected customer relationship period; and d) Regular assessment of contract modification impacts on revenue recognition timing.

3. Professional Services Accounting. The Company shall maintain separate accounting treatments for: a) Time-and-materials arrangements, recognized as services are

performed; b) Fixed-price contracts, utilizing percentage-of-completion methodology; c) Training services, recognized upon delivery; and d) Custom development work, evaluated for distinct performance obligation status.

4. Research and Development Capitalization. The Company shall: a) Capitalize qualifying development costs in accordance with ASC 350-40; b) Expense research costs as incurred; c) Apply consistent capitalization criteria across all AI software development projects; and d) Regularly assess capitalized costs for impairment.

5. Performance Obligations and Timing. The Company shall: a) Clearly document the timing of transfer of control for each performance obligation; b) Maintain evidence supporting stand-alone selling price determinations; c) Regular review and update of pricing methodologies; and d) Document any significant judgments affecting revenue recognition timing.

6. Contract Modifications and Changes. The Company shall: a) Establish procedures for evaluating contract modifications; b) Document the impact of changes on revenue recognition; c) Maintain audit trails for all modification decisions; and d) Regularly review modification patterns for accounting policy implications.

7. Compliance and Review. The Company shall: a) Conduct quarterly reviews of revenue recognition practices; b) Maintain documentation supporting all material revenue recognition decisions; c) Engage external auditors for annual review of revenue recognition policies; and d) Update policies as necessary to reflect changes in accounting standards or business practices.

This Certification shall be reviewed annually and updated as necessary to reflect changes in applicable accounting standards, regulatory requirements, or the Company's business practices. The Company's Chief Financial Officer shall be responsible for ensuring compliance with these policies and procedures.

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

1.0 PREAMBLE AND RECITALS

1.1 Document Identification. This Certification is designated as Financial and Accounting Document 27 (FIN-27) in the Company's corporate records. This document serves as a formal certification of financial matters in connection with the Company's Series C funding round and related transactions.

1.2 Corporate Status. The Company is duly incorporated and validly existing under the laws of the State of Delaware, having been incorporated on March 15, 2018, and is in good standing with the Delaware Secretary of State. The Company maintains its principal place of business at

4200 Innovation Drive, Suite 300, San Francisco, California 94105, and operates under Delaware Entity Identification Number 7249831.

1.3 Authority. This Certification is executed by David Kumar, Chief Financial Officer of the Company, who has been duly authorized to execute this document by resolution of the Board of Directors dated January 10, 2024. Such authorization was granted during a properly noticed and convened meeting of the Board, at which a quorum was present and voting.

1.4 Purpose and Context. This Certification is provided in connection with the Company's Series C financing round, pursuant to which the Company seeks to raise up to $75,000,000 through the issuance of Series C Preferred Stock. This document certifies specific financial and accounting matters as required under Section 4.2 of the Series C Stock Purchase Agreement dated January 15, 2024.

1.5 Reliance. This Certification is provided for the benefit of and may be relied upon by the Series C investors, their counsel, and other parties identified in the Series C Stock Purchase Agreement as designated recipients of this Certification.

2.0 DEFINITIONS AND INTERPRETATIONS

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

(a) "NexusCore™ Platform" means the Company's enterprise-grade software suite that combines computer vision, machine learning-driven predictive analytics, and process optimization algorithms, including all associated modules, updates, and improvements thereto, whether deployed on-premises or through cloud infrastructure.

(b) "Annual Recurring Revenue" or "ARR" means the annualized value of all active subscription contracts for the NexusCore™ Platform and related services, calculated as the monthly recurring revenue multiplied by twelve (12), excluding one-time fees, professional services, and implementation costs.

(c) "Industrial IoT Integration" means the capability of the NexusCore™ Platform to interface with and process data from industrial control systems and Internet of Things sensors deployed in manufacturing environments, including but not limited to programmable logic controllers (PLCs), supervisory control and data acquisition (SCADA) systems, and distributed control systems (DCS).

(d) "Machine Learning Models" means the proprietary algorithmic systems developed by the Company for predictive maintenance, quality control, and process optimization, including all training data, model architectures, weights, and associated intellectual property.

(e) "Platform Instance" means a single deployment of the NexusCore™ Platform, whether in production, development, or testing environments, serving a distinct operational facility or business unit.

(f) "Service Level Agreement" or "SLA" means the documented commitment regarding system availability, performance metrics, and support response times as specified in Schedule A.

(g) "Technical Documentation" means all user manuals, installation guides, API specifications, and other materials provided by the Company for the implementation and operation of the NexusCore™ Platform.

(h) "Usage Data" means all data generated by the Platform regarding system performance, user interactions, and operational metrics, excluding Customer Data as defined in the Master Services Agreement.

2.2 Interpretation. In this Certification:

(a) Section headings are for convenience only and shall not affect interpretation.

(b) Words importing the singular include the plural and vice versa.

(c) References to "including" shall be construed as "including without limitation."

(d) References to schedules, exhibits, or attachments shall be deemed to incorporate such documents in their entirety.

(e) Technical terms not otherwise defined shall have the meanings commonly attributed to them in the industrial software and artificial intelligence industries.

(f) References to standards, protocols, or specifications shall be deemed to refer to the most current version as of the Effective Date.

(g) Time periods specified in days shall refer to calendar days unless explicitly stated as business days.

(h) References to laws, regulations, or standards shall include any amendments, modifications, or replacements thereof.

(i) Mathematical formulas and calculations shall be interpreted according to standard mathematical principles and conventional industry practices.

(j) Any reference to written approval or notification shall include email and other electronic communications as specified in the Notice provisions.

2.3 Precedence. In the event of any conflict or inconsistency between the definitions in this section and those in other agreements between the parties, the definitions in this Certification shall prevail unless explicitly stated otherwise in writing.

3.0 FINANCIAL REPRESENTATIONS AND WARRANTIES

3.1 Revenue Verification. The Company hereby represents and warrants that:

(a) Its Annual Recurring Revenue as of December 31, 2023, was $32,500,000, calculated in accordance with generally accepted accounting principles ("GAAP"), with such calculation independently verified by a certified public accounting firm.

(b) The Company has achieved year-over-year revenue growth of 85% for the fiscal year ended December 31, 2023, as evidenced by audited financial statements and quarterly SEC filings.

(c) The average annual contract value for enterprise customers exceeds $250,000, with no single customer representing more than 8% of total revenue.

(d) All revenue figures presented have been calculated consistently with prior periods and reflect actual cash receipts or legally binding payment obligations.

3.2 Customer Contracts. The Company represents that:

(a) All customer contracts are in writing and legally binding, executed by authorized representatives of both parties, and maintained in the Company's secure contract management system.

(b) Subscription terms range from one to three years, with automatic renewal provisions unless terminated with 90 days' written notice.

(c) Revenue recognition policies comply with ASC 606, including proper allocation of transaction prices to performance obligations and appropriate timing of revenue recognition.

(d) No material modifications to standard contract terms have been granted without appropriate executive approval and documentation.

(e) Customer contracts include standard provisions for service level agreements, data protection, intellectual property rights, and limitation of liability.

3.3 Revenue Structure. The Company warrants that its revenue consists of:

(a) Subscription licenses (80% of revenue), characterized by: (i) Fixed monthly or annual fees (ii) Tiered pricing based on user counts or usage metrics (iii) Guaranteed minimum commitment levels (iv) Standard annual price escalators of 3-5%

(b) Professional services (15% of revenue), including: (i) Implementation and integration services (ii) Custom development work (iii) Strategic consulting (iv) Project-based deliverables

(c) Training and support (5% of revenue), comprising: (i) Technical support services (ii) User training programs (iii) Documentation and educational materials (iv) Premium support packages

3.4 Financial Controls and Reporting. The Company represents and warrants that:

(a) It maintains a comprehensive system of internal financial controls, including: (i) Regular internal audits (ii) Segregation of duties (iii) Multi-level approval processes (iv) Automated revenue recognition systems

(b) Financial statements are prepared quarterly and annually in accordance with GAAP, subject to review by independent auditors.

(c) The Company maintains detailed records of all revenue-related transactions, including: (i) Customer invoices and payments (ii) Contract modifications (iii) Service delivery documentation (iv) Revenue recognition calculations

3.5 Customer Metrics and Performance. The Company warrants that:

(a) Customer retention rate exceeds 95% by revenue value for the trailing twelve months.

(b) Net revenue retention rate, including expansion revenue, exceeds 120% for enterprise customers.

(c) Customer acquisition costs are tracked and documented, with an average payback period of less than 12 months.

(d) The Company maintains detailed metrics on: (i) Customer usage patterns (ii) Service uptime and performance (iii) Support ticket resolution (iv) Customer satisfaction scores

3.6 Financial Projections. The Company represents that:

(a) All financial projections provided are: (i) Based on reasonable assumptions (ii) Supported by historical data (iii) Reviewed and approved by management (iv) Subject to regular updates and revisions

(b) The Company maintains a rolling 24-month financial forecast, updated quarterly.

(c) All material risks and assumptions underlying financial projections have been disclosed.

3.7 Compliance and Reporting. The Company warrants that:

(a) It is in compliance with all applicable financial reporting requirements.

(b) No material weaknesses in internal controls have been identified.

(c) All required tax filings are current and accurate.

(d) The Company maintains appropriate insurance coverage for financial risks.

4.0 ACCOUNTING POLICIES AND PROCEDURES

4.1 Revenue Recognition. The Company shall:

(a) Recognize subscription revenue ratably over the contract term. (b) Account for implementation services separately from subscription services. (c) Recognize professional services revenue as services are delivered.

4.2 Subscription Billing Practices.

(a) Invoicing shall occur annually in advance for subscription fees. (b) Payment terms shall be net 30 days. (c) Multi-year contracts shall be billed annually.

4.3 R&D Capitalization.

(a) Development costs meeting capitalization criteria under ASC 350-40 shall be capitalized. (b) Amortization shall occur over the estimated useful life of the technology.

5.0 COMPLIANCE AND CONTROLS

5.1 Internal Controls.

(a) The Company maintains SOX-compliant internal controls over financial reporting, including comprehensive documentation of all control processes, risk assessments, and mitigation strategies.

(b) Quarterly internal control assessments shall be performed by the Internal Audit Department, with findings reported directly to the Audit Committee of the Board of Directors.

(c) Annual external audits shall be conducted by a registered public accounting firm, selected and approved by the Audit Committee, in accordance with PCAOB standards.

(d) Management shall conduct monthly reviews of key control metrics, including but not limited to: (i) Transaction authorization protocols (ii) Segregation of duties compliance (iii) System access controls (iv) Financial reconciliation procedures

5.2 Technology Compliance.

(a) All AI/ML models shall be documented and version-controlled, with mandatory documentation requirements including: (i) Model architecture and specifications (ii) Training data sources and validation procedures (iii) Performance metrics and testing protocols (iv) Risk assessment and mitigation strategies

(b) Data security measures shall comply with ISO 27001 standards, incorporating: (i) Regular security audits and penetration testing (ii) Encryption protocols for data at rest and in transit (iii) Access control matrices and authentication procedures (iv) Incident response and recovery plans

(c) Customer data privacy shall be maintained in accordance with GDPR and CCPA requirements, including: (i) Data collection and processing consent mechanisms (ii) Data subject access request procedures (iii) Privacy impact assessments (iv) Data retention and deletion protocols

5.3 Compliance Monitoring and Reporting.

(a) The Compliance Committee shall meet monthly to review: (i) Regulatory compliance updates (ii) Internal control effectiveness (iii) Audit findings and remediation status (iv) Emerging compliance risks

(b) Quarterly compliance reports shall be submitted to the Board of Directors, addressing: (i) Control deficiencies and remediation plans (ii) Regulatory examination results (iii) Technology compliance metrics (iv) Privacy and security incidents

IN WITNESS WHEREOF, the Company has caused this Certification to be executed as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

EXHIBITS

Exhibit A: Revenue Recognition Methodology Exhibit B: Internal Control Framework Exhibit C: Technology Compliance Standards

APPENDICES

Appendix 1: Defined Terms Glossary Appendix 2: Accounting Policy Details Appendix 3: Compliance Procedures

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