FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES

THIS FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES DOCUMENT (this "Document") is adopted as of January 15, 2024 (the "Effective Date") by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation (the "Company").

WHEREAS, the Company develops and deploys artificial intelligence-powered software solutions for industrial process optimization;

WHEREAS, the Company desires to establish comprehensive financial and accounting policies that address the unique aspects of its artificial intelligence and software-as-a-service business model; and

WHEREAS, the Company seeks to ensure compliance with applicable accounting standards while implementing appropriate controls and risk management procedures.

NOW, THEREFORE, the Company hereby adopts the following policies and procedures:

1.0 FINANCIAL REPORTING AND ACCOUNTING STANDARDS

1.1 Generally Accepted Accounting Principles

The Company shall prepare its financial statements in accordance with United States Generally Accepted Accounting Principles ("GAAP") as established by the Financial Accounting Standards Board ("FASB"). Compliance shall extend to all subsidiary entities, joint ventures, and controlled affiliates operating within the Company's consolidated reporting structure.

(a) Financial statements shall include: (i) Consolidated balance sheets (ii) Statements of operations and comprehensive income (iii) Statements of cash flows (iv) Statements of stockholders' equity (v) Accompanying notes and disclosures

(b) Quarterly and annual financial reports shall be prepared in compliance with SEC regulations where applicable, including: (i) Form 10-Q requirements for quarterly reporting (ii) Form 10-K requirements for annual reporting (iii) Required certifications by principal executive and financial officers

1.2 Revenue Recognition

(a) The Company shall recognize revenue in accordance with ASC 606, Revenue from Contracts with Customers, applying the following five-step model: (i) Identify customer

contracts (ii) Identify performance obligations (iii) Determine transaction price (iv) Allocate transaction price (v) Recognize revenue upon satisfaction of performance obligations

(b) For the NexusCore™ Industrial AI Platform subscriptions: (i) Subscription revenue shall be recognized ratably over the contract term (ii) Implementation services shall be evaluated for distinct performance obligations (iii) Professional services shall be recognized as delivered (iv) Usage-based components shall be recognized based on actual customer consumption (v) Contract modifications shall be evaluated for treatment as separate contracts or cumulative catch-up adjustments

(c) Contract costs shall be accounted for pursuant to ASC 340-40, including: (i) Capitalization of incremental costs to obtain contracts (ii) Amortization of capitalized costs over the expected customer relationship period (iii) Regular evaluation of recoverability and impairment assessments

1.3 Multi-Element Arrangements

(a) For contracts containing multiple performance obligations, the Company shall: (i) Determine standalone selling prices for each element (ii) Allocate transaction price using relative standalone selling price method (iii) Apply appropriate recognition criteria to each element (iv) Document the methodology used for price allocation (v) Maintain evidence supporting standalone selling price determinations

(b) Observable standalone prices shall be determined through: (i) Historical pricing analysis (ii) Market assessment and competitor benchmarking (iii) Cost-plus-margin calculations (iv) Residual approach when appropriate

1.4 Software Development Costs

(a) In accordance with ASC 350-40, Internal-Use Software, the Company shall: (i) Capitalize qualifying costs during the application development stage (ii) Expense preliminary project stage costs as incurred (iii) Expense post-implementation operation and maintenance costs (iv) Regularly assess capitalized costs for impairment (v) Amortize capitalized costs over the estimated useful life

(b) For AI model development: (i) Research costs shall be expensed as incurred (ii) Development costs shall be capitalized when technological feasibility is established (iii) Training data acquisition costs shall be evaluated for capitalization (iv) Model validation and testing costs shall be appropriately allocated

1.5 Disclosure Requirements

(a) The Company shall provide comprehensive disclosures regarding: (i) Significant accounting policies and estimation methods (ii) Revenue recognition practices for each major product and service type (iii) Contract asset and liability balances and significant changes

therein (iv) Capitalized software development costs and amortization policies (v) Performance obligations, including timing of satisfaction and payment terms

(b) Quantitative and qualitative disclosures shall include: (i) Disaggregation of revenue by major product line, geography, and timing (ii) Contract duration and renewal provisions (iii) Significant judgments in applying revenue recognition principles (iv) Practical expedients applied under ASC 606 (v) Impact of changes in accounting estimates or methodologies

2.0 INTERNAL CONTROLS AND COMPLIANCE FRAMEWORK

2.1 Sarbanes-Oxley Compliance

(a) The Company shall maintain internal controls in accordance with SOX Section 404: (i) Document control activities and procedures through comprehensive process narratives (ii) Test control effectiveness quarterly through independent assessments (iii) Remediate identified deficiencies promptly, not to exceed 30 business days (iv) Maintain detailed documentation of control testing and remediation efforts (v) Conduct annual risk assessment of control framework effectiveness (vi) Report material weaknesses to the Board of Directors within 24 hours of discovery

(b) Management shall provide quarterly certifications regarding: (i) Design effectiveness of internal controls (ii) Operational effectiveness of implemented controls (iii) Disclosure of significant deficiencies and material weaknesses (iv) Status of remediation efforts and timelines

2.2 Software Development Controls

(a) The Company shall implement controls over software development lifecycle: (i) Code development and deployment, including version control systems (ii) AI model training and validation, with documented acceptance criteria (iii) Quality assurance testing, including automated and manual procedures (iv) Change management procedures with appropriate segregation of duties (v) Documentation of system architecture and dependencies (vi) Regular code review and security scanning procedures

(b) Specific controls for AI model development shall include: (i) Model validation protocols and testing requirements (ii) Data quality assessment procedures (iii) Performance metric documentation and monitoring (iv) Bias testing and mitigation procedures (v) Model governance and approval workflows

2.3 Revenue Recognition Controls

(a) Controls shall include comprehensive procedures for: (i) Contract review and approval procedures, including legal assessment (ii) Performance obligation identification and documentation (iii) Revenue calculation verification and reconciliation (iv) Billing and

collection monitoring systems (v) Recognition timing and allocation methodologies (vi) Variable consideration constraints assessment

(b) Documentation requirements shall encompass: (i) Contract terms and conditions analysis (ii) Performance obligation satisfaction evidence (iii) Transaction price calculations and adjustments (iv) Revenue recognition timing support (v) Quarterly review of significant judgments

2.4 Data Security Controls

(a) The Company shall maintain controls ensuring: (i) Customer data protection through encryption and access controls (ii) Access restrictions and authentication protocols (iii) Encryption of sensitive information at rest and in transit (iv) Regular security assessments and penetration testing (v) Incident response procedures and documentation (vi) Data retention and destruction protocols

(b) Security monitoring and compliance shall include: (i) Continuous monitoring of system access and usage (ii) Regular vulnerability assessments and remediation (iii) Third-party security audits and certifications (iv) Employee security awareness training (v) Compliance with industry standards and regulations

2.5 Control Documentation and Review

(a) The Company shall maintain: (i) Current documentation of all control procedures (ii) Evidence of control execution and testing (iii) Quarterly control effectiveness assessments (iv) Annual control framework review and updates (v) Training records for control owners and operators

(b) The Internal Control Committee shall: (i) Review control effectiveness quarterly (ii) Approve significant control changes (iii) Monitor remediation efforts (iv) Report status to the Audit Committee (v) Ensure alignment with regulatory requirements

3.0 FINANCIAL RISK MANAGEMENT

3.1 Technology Development Risk

(a) The Company shall: (i) Maintain comprehensive documentation of AI algorithms, including detailed specifications, architectural diagrams, and implementation protocols (ii) Implement version control systems with automated backup procedures and change tracking mechanisms (iii) Conduct regular code reviews by qualified personnel at intervals not exceeding three months (iv) Maintain backup systems and disaster recovery procedures, including off-site data storage (v) Establish testing environments separate from production systems (vi) Document all system dependencies and third-party integrations (vii) Maintain comprehensive incident response protocols (viii) Conduct quarterly risk assessments of development infrastructure

(b) Development Security Protocols: (i) Implement role-based access control systems (ii) Maintain audit logs of all system access and modifications (iii) Conduct regular security penetration testing (iv) Establish secure code deployment procedures

3.2 Customer Credit Risk

(a) Risk management procedures include: (i) Credit evaluation for new customers using standardized assessment criteria (ii) Regular monitoring of accounts receivable with weekly aging reports (iii) Collection procedures for overdue accounts, including automated notifications (iv) Establishment of credit limits based on customer financial history (v) Quarterly review of credit policies and limits (vi) Implementation of secured payment mechanisms (vii) Regular credit insurance assessment and coverage

(b) Credit Monitoring Requirements: (i) Monthly credit status reviews for high-value accounts (ii) Quarterly risk assessment of customer portfolio (iii) Documentation of all credit decisions and modifications (iv) Regular reporting to senior management on credit exposure

3.3 Foreign Exchange Risk

(a) The Company shall: (i) Monitor currency exposure through daily position reporting (ii) Implement hedging strategies as appropriate, including forward contracts (iii) Maintain foreign currency accounts as needed for operational efficiency (iv) Establish maximum exposure limits for each currency (v) Conduct stress testing of currency positions (vi) Review hedging strategies quarterly (vii) Maintain relationships with multiple banking partners

(b) Currency Risk Mitigation: (i) Regular assessment of country-specific risks (ii) Documentation of all foreign exchange transactions (iii) Implementation of automated currency conversion systems (iv) Regular review of currency hedging costs

3.4 Intellectual Property Protection

(a) The Company shall: (i) Register and maintain patents and trademarks in all relevant jurisdictions (ii) Implement confidentiality agreements with all stakeholders (iii) Monitor for potential infringement through established surveillance systems (iv) Maintain IP insurance coverage with annual policy reviews (v) Conduct regular IP portfolio assessments (vi) Document all IP-related decisions and strategies (vii) Establish procedures for IP dispute resolution (viii) Maintain relationships with IP counsel in key jurisdictions

(b) IP Management Requirements: (i) Quarterly review of IP protection strategies (ii) Regular staff training on IP protection protocols (iii) Documentation of all IP licensing agreements (iv) Maintenance of IP asset register (v) Regular assessment of competitive IP landscape

4.0 PERFORMANCE METRICS AND KPI REPORTING

4.1 Annual Recurring Revenue (ARR)

(a) ARR shall be calculated as: (i) Contracted subscription value (ii) Normalized to annual basis (iii) Excluding one-time fees (iv) Including committed expansion revenue (v) Adjusted for multi-year contract provisions

(b) ARR Reporting Requirements: (i) Monthly calculation and reconciliation (ii) Quarterly trend analysis (iii) Variance reporting against projections (iv) Segmentation by customer tier and industry

4.2 Customer Metrics

(a) The Company shall track: (i) Customer retention rate (ii) Net revenue retention (iii) Customer acquisition cost (iv) Lifetime value (v) Time-to-value metrics (vi) Customer health scores

(b) Reporting Frequency: (i) Monthly dashboard updates (ii) Quarterly deep-dive analysis (iii) Annual trend reporting

4.3 AI Performance Indicators

(a) Metrics shall include: (i) Model accuracy rates (ii) Processing efficiency (iii) System uptime (iv) Response time (v) False positive/negative rates (vi) Model drift indicators (vii) Training data quality scores

(b) Performance Thresholds: (i) Minimum 99.9% system availability (ii) Maximum 100ms response time (iii) Model accuracy above 95% (iv) Weekly performance validation

4.4 Cost Attribution

(a) The Company shall track: (i) Customer acquisition costs (ii) Implementation costs (iii) Support costs (iv) Infrastructure costs (v) Research and development allocation (vi) Technical debt management costs

(b) Cost Allocation Methodology: (i) Direct cost assignment (ii) Activity-based costing (iii) Overhead allocation (iv) Department-specific attribution

4.5 Reporting Requirements

(a) Standard Reports: (i) Monthly executive dashboard (ii) Quarterly board presentation (iii) Annual performance review (iv) Stakeholder communications

(b) Documentation Requirements: (i) Calculation methodologies (ii) Data sources and systems (iii) Audit trail maintenance (iv) Version control procedures

(c) Review and Validation: (i) Independent verification (ii) Quarterly metric certification (iii) Annual external audit (iv) Compliance verification