

TAX MATTERS AGREEMENT

THIS TAX MATTERS AGREEMENT (this "Agreement") 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 ("Company").

1.0 PREAMBLE AND RECITALS

WHEREAS, the Company, Nexus Industrial Intelligence, Inc., a corporation duly organized and existing under the laws of the State of Delaware, with its principal place of business at 1250 Technology Drive, Suite 400, Silicon Valley, California 94025, is engaged in the development, licensing, and implementation of proprietary machine learning and computer vision solutions for industrial process optimization and predictive maintenance through its NexusCore™ Industrial AI Platform;

WHEREAS, the Company, established on March 15, 2018, maintains substantial business operations across multiple jurisdictions, including but not limited to the United States, Canada, Germany, and the United Kingdom, necessitating comprehensive international tax compliance measures;

WHEREAS, the Company generates revenue through enterprise Software-as-a-Service ("SaaS") licensing and related implementation services across multiple tax jurisdictions in North America and Europe, with varying treatment of digital service taxation and technology transfer pricing considerations;

WHEREAS, the Company conducts significant research and development activities, qualifying for various tax incentives and credits across multiple jurisdictions, including the U.S. Research and Development Tax Credit under IRC Section 41;

WHEREAS, the Company seeks to establish comprehensive tax treatment guidelines for its technology-based revenue streams, research and development activities, and international operations, in accordance with applicable domestic and international tax regulations; and

WHEREAS, this Agreement sets forth the Company's tax classification principles, compliance obligations, and related representations regarding its business activities, effective as of January 1, 2024.

NOW, THEREFORE, the Company hereby establishes the following tax matters provisions:

2.0 DEFINITIONS AND INTERPRETATIONS

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

(a) "AI Technology" means the Company's proprietary artificial intelligence and machine learning algorithms, models, and related intellectual property incorporated into the NexusCore™ Platform, including but not limited to neural networks, deep learning systems, predictive analytics engines, and associated training data sets.

(b) "Implementation Services" means professional services provided by the Company to customize, integrate, and deploy the NexusCore™ Platform for customers, including configuration, data migration, system integration, user training, and ongoing technical support services.

(c) "Qualified Research Expenses" means research and development costs that meet the criteria for federal and state R&D tax credit eligibility under applicable law, including wages for qualified services, supplies used in research, contract research expenses, and cloud computing costs directly related to qualified research activities.

(d) "SaaS Revenue" means subscription fees received from licensing the NexusCore™ Platform on a software-as-a-service basis, including recurring subscription payments, usage-based fees, and platform access charges, but excluding implementation fees and professional services revenue.

(e) "Source Code" means the human-readable form of the Company's software programs and related documentation, including all comments, annotations, and technical specifications.

(f) "Cross-Border Transactions" means any revenue generated from customers located outside the Company's country of incorporation, subject to international tax treaties and transfer pricing regulations.

(g) "Technical Documentation" means all user manuals, training materials, specifications, and other written materials describing the functionality and operation of the NexusCore™ Platform.

(h) "Intellectual Property Rights" means all patents, copyrights, trade secrets, trademarks, and other proprietary rights related to the AI Technology and NexusCore™ Platform.

(i) "Tax Nexus" means sufficient presence or connection in a jurisdiction that creates an obligation for tax collection and remittance.

2.2 Interpretation Principles

(a) References to sections and exhibits are to those contained in this Agreement unless otherwise specified.

(b) The headings are for convenience only and do not affect interpretation.

- (c) Words importing the singular include the plural and vice versa.
- (d) References to any statute or regulation include all amendments, modifications, and replacements in effect from time to time.
- (e) Technical terms shall be interpreted according to their generally accepted meaning within the software and artificial intelligence industry.
- (f) References to tax treatments and classifications shall be interpreted in accordance with applicable domestic and international tax regulations.
- (g) Monetary amounts are expressed in United States dollars unless otherwise specified.
- (h) Time periods shall be calculated in accordance with business days in the jurisdiction where the Company maintains its principal place of business.
- (i) Any reference to "writing" or "written" includes electronic communications and digital signatures authorized under applicable law.
- (j) Terms denoting any gender include all genders, and references to persons include corporations, partnerships, and other legal entities.

2.3 Precedence

In the event of any conflict or inconsistency between the provisions of this Agreement, the order of precedence shall be: (1) the main body of the Agreement, (2) the Exhibits, and (3) any other referenced documents.

3.0 TAX CLASSIFICATIONS AND TREATMENT

3.1 SaaS Revenue Classification

- (a) The Company's SaaS Revenue shall be classified as services income for federal tax purposes.
- (b) State tax treatment of SaaS Revenue shall be determined on a jurisdiction-by-jurisdiction basis according to applicable state law characterization of software access rights.
- (c) The Company shall maintain detailed documentation supporting the characterization of SaaS Revenue, including: (i) Customer agreements demonstrating service delivery methods; (ii) Technical documentation of software delivery mechanisms; and (iii) Records of server locations and service delivery points.
- (d) In jurisdictions where SaaS is classified as tangible personal property, the Company shall:
 - (i) Apply appropriate sales and use tax collection procedures;
 - (ii) Maintain nexus studies supporting tax positions; and
 - (iii) Document customer locations and usage patterns.

3.2 Implementation Services Treatment

- (a) Implementation Services revenue shall be classified as services income in all jurisdictions.

(b) Where Implementation Services are bundled with SaaS subscriptions, revenue allocation shall follow the Company's regular accounting methods.

(c) The Company shall maintain detailed time tracking and service delivery documentation, including: (i) Staff allocation records; (ii) Project milestone completion records; and (iii) Customer acceptance documentation.

(d) Implementation Services provided across multiple tax jurisdictions shall be allocated based on: (i) Physical location of service delivery; (ii) Time spent in each jurisdiction; and (iii) Value of services rendered in each jurisdiction.

3.3 Research & Development Activities

(a) The Company shall classify its qualified AI Technology development activities as eligible research expenses for R&D tax credit purposes when such activities: (i) Constitute technological advancement through systematic study; (ii) Involve experimentation to resolve technical uncertainty; and (iii) Rely on computer science, engineering, or physical/biological sciences.

(b) The Company shall maintain contemporaneous documentation of all claimed R&D activities.

(c) Qualified research expenses shall include: (i) Direct wages for qualified services; (ii) Supplies used in conducting qualified research; (iii) Contract research expenses (65% of amounts paid); and (iv) Basic research payments to qualified organizations.

(d) The Company shall implement procedures to: (i) Track time allocation of technical personnel; (ii) Document research objectives and methodologies; (iii) Maintain records of technical uncertainty resolution; and (iv) Archive all experimental results and conclusions.

3.4 International Revenue Sourcing

(a) Revenue from non-U.S. customers shall be sourced based on customer location for income tax purposes.

(b) The Company shall apply transfer pricing principles to intercompany transactions according to OECD guidelines.

(c) For international transactions, the Company shall: (i) Maintain country-by-country reporting documentation; (ii) Conduct annual transfer pricing studies; (iii) Document economic substance of international operations; and (iv) Monitor permanent establishment risk factors.

3.5 Intellectual Property Tax Treatment

(a) The Company shall classify its AI Technology intellectual property according to: (i) Development jurisdiction; (ii) Exploitation location; and (iii) Legal protection status.

(b) IP-related income shall be categorized as: (i) Licensing revenue; (ii) Technology transfer payments; (iii) Royalty income; or (iv) Service fees, as appropriate.

3.6 Tax Compliance and Documentation

(a) The Company shall maintain comprehensive tax documentation including: (i) Revenue classification studies; (ii) Nexus analyses; (iii) Transfer pricing documentation; (iv) R&D credit substantiation; and (v) International tax compliance records.

(b) Documentation retention periods shall be the longer of: (i) Seven years from the tax return filing date; (ii) Three years from the last audit conclusion; or (iii) The period required by applicable jurisdiction.

(c) The Company shall conduct annual reviews of: (i) Tax position documentation; (ii) Classification methodologies; (iii) International tax compliance; and (iv) R&D credit qualification criteria.

4.0 COMPLIANCE AND REPORTING OBLIGATIONS

4.1 Federal Tax Compliance

(a) The Company shall timely file all required federal tax returns and information returns, including but not limited to: (i) Form 1120 or applicable business return (ii) Employment tax returns (Forms 941, 940) (iii) Information returns (Forms 1099, W-2) (iv) Foreign asset reporting forms (FinCEN 114, Form 5471)

(b) R&D tax credit claims shall be supported by: (i) Project documentation including research protocols and test results (ii) Time tracking records with employee-specific allocations (iii) Technical narratives describing qualified research activities (iv) Qualifying expense calculations with contemporary documentation (v) Documentation of research uncertainty and systematic investigation (vi) Evidence of technological advancement objectives

4.2 State Tax Compliance

(a) The Company shall monitor and comply with state tax nexus requirements through: (i) Quarterly nexus studies (ii) Documentation of in-state activities (iii) Regular review of state tax law changes (iv) Assessment of remote worker implications

(b) Sales tax collection obligations shall be evaluated regularly based on: (i) Physical presence including employee location and inventory (ii) Economic nexus thresholds for each jurisdiction (iii) Characterization of SaaS offerings under state-specific guidance (iv) Marketplace facilitator obligations (v) Local tax jurisdiction requirements

(c) State income tax apportionment shall be documented with: (i) Revenue sourcing analysis (ii) Payroll factor computation (iii) Property factor determination (iv) Special industry provisions compliance

4.3 International Tax Compliance

(a) The Company shall maintain transfer pricing documentation including: (i) Functional analysis detailing value drivers (ii) Economic analysis with industry benchmarking (iii) Comparability analysis of third-party transactions (iv) Intercompany agreements with clear terms (v) Annual updates to reflect business changes (vi) Local country transfer pricing requirements

(b) Country-specific reporting requirements shall be monitored and fulfilled, including: (i) Country-by-Country Reporting (CbCR) (ii) Master File and Local File documentation (iii) VAT/GST compliance obligations (iv) Permanent establishment analysis (v) Treaty benefit documentation

4.4 Record Retention

(a) The Company shall maintain all tax-relevant records for a minimum of seven (7) years, including: (i) Transaction documentation (ii) Corporate governance records (iii) Tax filing support (iv) Correspondence with tax authorities (v) Audit documentation (vi) Transfer pricing studies

(b) Electronic records shall be preserved in accessible formats with: (i) Regular backup procedures (ii) Disaster recovery protocols (iii) Access controls and audit trails (iv) Version control systems

4.5 Compliance Monitoring and Review

(a) The Company shall establish internal controls including: (i) Quarterly compliance reviews (ii) Annual risk assessments (iii) Regular training programs (iv) Documentation updates

(b) External advisor review shall be obtained for: (i) Complex transactions (ii) Cross-border arrangements (iii) New business activities (iv) Significant tax positions

(c) Compliance reporting shall include: (i) Quarterly updates to management (ii) Annual board presentations (iii) Documentation of material positions (iv) Remediation of identified issues

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Compliance Status

The Company represents and warrants that:

(a) All required tax returns, including federal, state, local, and foreign tax returns, have been timely filed in all jurisdictions where the Company conducts business or maintains taxable presence.

(b) All tax payments, including estimated taxes, withholding taxes, payroll taxes, sales and use taxes, value-added taxes, and any other applicable taxes, have been made when due and in the correct amounts.

(c) No material tax audits, investigations, examinations, or administrative proceedings are pending or threatened by any taxing authority.

(d) The Company maintains comprehensive documentation supporting all tax positions taken on returns filed within applicable statute of limitations periods.

5.2 Tax Accounting Practices

The Company represents that:

(a) Its tax accounting methods and practices are appropriate, consistently applied, and in accordance with Generally Accepted Accounting Principles (GAAP) and applicable tax regulations.

(b) Tax reserves and accruals are adequate under applicable accounting standards and have been reviewed by qualified tax professionals.

(c) Transfer pricing policies comply with arm's length principles and are supported by contemporaneous documentation meeting regulatory requirements.

5.3 Additional Tax Representations

The Company further warrants that:

(a) All intercompany transactions are properly documented and reflect economic substance.

(b) No tax shelters or reportable transactions, as defined in Internal Revenue Code Section 6011, have been undertaken without proper disclosure.

(c) The Company has maintained all required documentation for research and development tax credits, including contemporaneous records of qualifying activities.

(d) All sales tax exemption certificates and resale certificates are current and properly maintained.

5.4 Technology-Specific Tax Matters

The Company specifically represents regarding technology-related taxation that:

(a) Software development activities have been properly characterized for tax purposes.

(b) International intellectual property arrangements comply with relevant transfer pricing regulations.

(c) Cloud computing revenue is appropriately classified for sales tax purposes.

(d) Treatment of cryptocurrency transactions, if any, complies with applicable IRS guidance.

IN WITNESS WHEREOF, the Company has executed this Tax Matters Agreement as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

EXHIBIT A: TAX JURISDICTIONS

[List of active tax jurisdictions and nexus determinations]

EXHIBIT B: R&D TAX CREDIT DOCUMENTATION REQUIREMENTS

[Detailed documentation requirements for R&D tax credit claims]

APPENDIX 1: TRANSFER PRICING METHODOLOGY

[Transfer pricing policies and procedures]