

TAX MATTERS DOCUMENT

Effective Date: January 15, 2024

THIS TAX MATTERS DOCUMENT (this "Document") 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 1250 Technology Drive, Suite 400, Wilmington, Delaware 19801 (the "Company").

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

WHEREAS, the Company operates across multiple jurisdictions and maintains significant intellectual property assets requiring specialized tax treatment; and

WHEREAS, the Company desires to establish comprehensive guidelines for tax-related matters and compliance obligations.

NOW, THEREFORE, the Company hereby adopts and implements the following tax matters provisions:

1.0 PURPOSE AND SCOPE

1.1 This Document establishes the framework for managing tax-related matters and compliance obligations for the Company's operations, with particular focus on software and artificial intelligence revenue recognition, multi-state operations, and international business activities. The framework encompasses both direct and indirect taxation obligations, including but not limited to income tax, sales tax, value-added tax (VAT), and digital services taxes.

1.2 The provisions herein shall apply to: (a) All revenue derived from the NexusCore™ Industrial AI Platform, including subscription fees, usage-based charges, and platform customization; (b) Implementation services and professional services revenue, including consulting, training, and technical support; (c) Research and development activities related to artificial intelligence and machine learning, including qualifying expenses for tax credits; (d) Cross-border intellectual property licensing, including patent royalties and software licensing fees; and (e) All other business activities generating taxable income or tax obligations, including ancillary services and data processing fees.

1.3 Jurisdictional Coverage. This Document governs tax matters in: (a) All U.S. states where the Company maintains nexus, including physical presence, economic nexus, or virtual presence thresholds; (b) Federal tax obligations under the Internal Revenue Code, including provisions specific to software development and technology services; and (c) International

jurisdictions where the Company conducts business or maintains intellectual property rights, subject to applicable tax treaties and transfer pricing regulations.

1.4 Integration with Other Agreements. This Document shall be read in conjunction with: (a) The Company's Certificate of Incorporation and bylaws; (b) Existing venture capital investment agreements and related tax provisions; (c) International licensing and distribution agreements; and (d) Any subsequent amendments or supplementary tax compliance procedures.

1.5 Temporal Scope. These provisions shall apply to all tax periods beginning after the effective date and shall remain in force until formally superseded or amended by the Board of Directors.

2.0 TAX COMPLIANCE AND REPORTING

2.1 Federal Tax Obligations (a) The Company shall file all required federal tax returns and information returns in accordance with Internal Revenue Code requirements. (b) Research and development tax credits shall be documented and claimed pursuant to IRC Section 41, with specific attention to: (i) Qualified research expenses for AI algorithm development; (ii) Cloud computing infrastructure costs; (iii) Employee wages for technical development staff; (iv) Third-party contractor expenses related to innovation activities; and (v) Equipment and supplies used in experimental processes. (c) Documentation requirements for R&D credits shall include: (i) Contemporaneous project documentation; (ii) Time tracking records for technical personnel; (iii) Experimental validation protocols; and (iv) Technical uncertainty evidence.

2.2 State Tax Compliance (a) The Company shall maintain compliance with state tax obligations in all jurisdictions where it: (i) Maintains physical presence; (ii) Generates economic nexus through revenue thresholds; (iii) Conducts substantial business activities; (iv) Employs remote workers; or (v) Maintains data centers or computing infrastructure. (b) State tax returns shall be filed in accordance with respective state deadlines and requirements. (c) The Company shall implement procedures to monitor: (i) Changes in state nexus thresholds; (ii) New state tax obligations for digital services; (iii) State-specific treatment of SaaS revenues; and (iv) Local tax obligations in relevant municipalities.

2.3 International Tax Considerations (a) The Company shall comply with all tax obligations in European jurisdictions where it maintains operations or generates revenue. (b) Transfer pricing documentation shall be maintained for all international transactions, including: (i) Functional and risk analyses; (ii) Comparable company benchmarking; (iii) Intercompany service agreements; and (iv) Cost-sharing arrangements for IP development. (c) Value Added Tax (VAT) obligations shall be monitored and fulfilled where applicable, with attention to: (i) Digital service VAT requirements; (ii) B2B versus B2C transaction treatment; (iii) One-Stop-Shop (OSS) registration requirements; and (iv) Invoice documentation standards.

2.4 SaaS Revenue Recognition (a) Revenue shall be recognized in accordance with ASC 606 principles, specifically addressing: (i) Contract identification and modification; (ii) Performance obligation identification; (iii) Transaction price determination; (iv) Price allocation methodology; and (v) Recognition timing criteria. (b) Subscription revenue shall be recognized ratably over the service period, considering: (i) Contract start and end dates; (ii) Service level commitments; (iii) Usage-based components; and (iv) Multi-year contract provisions. (c) Implementation service revenue shall be recognized based on performance obligations, including: (i) Project milestone completion; (ii) Customer acceptance criteria; (iii) Integration deliverables; and (iv) Training and support services. (d) The Company shall maintain detailed documentation supporting: (i) Revenue recognition policies; (ii) Performance obligation satisfaction evidence; (iii) Contract modification impacts; and (iv) Variable consideration estimates.

3.0 TAX TREATMENT OF INTELLECTUAL PROPERTY

3.1 AI Algorithm Development (a) Development costs for proprietary AI algorithms shall be: (i) Capitalized where appropriate under IRC Section 174; (ii) Documented for R&D tax credit purposes with detailed contemporaneous records; (iii) Allocated appropriately between jurisdictions based on development activity; and (iv) Segregated between experimental and production implementations.

(b) Qualifying research activities shall include: (i) Development of novel machine learning architectures; (ii) Training data preparation and validation processes; (iii) Model optimization and testing procedures; and (iv) Integration of AI systems with existing technology infrastructure.

3.2 Patent and Software Development (a) Patent application and maintenance costs shall be: (i) Capitalized over the expected legal life of the patent; (ii) Amortized beginning from the grant date; and (iii) Reviewed annually for impairment indicators.

(b) Software development costs shall be treated in accordance with ASC 350-40, with specific consideration for: (i) Preliminary project stage expenses; (ii) Application development stage capitalization; (iii) Post-implementation stage treatment; and (iv) Cloud computing arrangement considerations under ASU 2018-15.

(c) Development costs shall be allocated between: (i) Core platform development; (ii) Customer-specific customizations; (iii) Internal-use software; (iv) Cloud-based applications; and (v) Integration components.

3.3 International IP Considerations (a) Transfer pricing for international IP licensing shall: (i) Comply with OECD guidelines and local jurisdiction requirements; (ii) Utilize appropriate valuation methodologies; (iii) Consider development, enhancement, maintenance, protection,

and exploitation (DEMPE) functions; (iv) Account for cost-sharing arrangements where applicable.

(b) Documentation requirements shall include: (i) Contemporaneous transfer pricing studies; (ii) Functional and risk analyses; (iii) Comparable company benchmarking; (iv) Intercompany agreements and contracts.

(c) Withholding tax obligations shall be: (i) Monitored across all relevant jurisdictions; (ii) Fulfilled in accordance with applicable treaties; (iii) Documented with appropriate certificates and forms; (iv) Reconciled quarterly for compliance purposes.

3.4 Valuation and Reporting (a) IP assets shall be valued using: (i) Income approach methodologies; (ii) Market comparables where available; (iii) Cost approach for recently developed assets.

(b) Regular reporting shall include: (i) Quarterly IP asset registers; (ii) Annual impairment assessments; (iii) Tax provision calculations; (iv) Related party transaction summaries.

4.0 REVENUE RECOGNITION AND STATE TAX NEXUS

4.1 SaaS Revenue Allocation (a) Subscription revenue shall be allocated based on: (i) Customer location, as determined by the primary billing address provided in the service agreement; (ii) User access points, documented through IP address tracking and authentication logs; and (iii) Implementation service delivery location, established by where the professional services are physically performed. (b) Revenue recognition timing shall adhere to: (i) Monthly recognition for subscription services upon delivery; (ii) Milestone-based recognition for implementation services; and (iii) Deferred revenue treatment for advance payments. (c) Multiple element arrangements shall be: (i) Separately identified and valued; (ii) Allocated based on relative standalone selling prices; and (iii) Documented with supporting market evidence.

4.2 State Nexus Determination (a) Economic nexus shall be monitored against state-specific thresholds, including: (i) Sales volume exceeding state-mandated amounts; (ii) Transaction count metrics; and (iii) Digital product delivery footprint. (b) Physical presence nexus shall be evaluated quarterly, considering: (i) Employee location and activities; (ii) Server and data center locations; (iii) Sales representative activities; and (iv) Third-party contractor relationships. (c) Factor presence nexus shall be assessed annually, examining: (i) Property values within each jurisdiction; (ii) Payroll distribution across states; and (iii) Revenue attribution by territory.

4.3 Multi-state Apportionment (a) Revenue shall be apportioned according to state-specific rules, including: (i) Single-factor revenue formulas; (ii) Three-factor formulas incorporating property and payroll; and (iii) Special industry-specific methodologies. (b) Market-based sourcing shall be applied where required, considering: (i) Customer benefit location; (ii)

Service delivery points; and (iii) User access locations. (c) Cost of performance methodology shall be used where applicable, based on: (i) Direct costs of service delivery; (ii) Infrastructure deployment locations; and (iii) Technical support operations.

4.4 Documentation Requirements (a) Maintain comprehensive records demonstrating: (i) Revenue allocation methodologies; (ii) Nexus determination analyses; (iii) Supporting calculations for all apportionment decisions. (b) Conduct periodic reviews of: (i) State tax law changes; (ii) Business activity changes affecting nexus; (iii) Revenue recognition methodologies. (c) Retain all supporting documentation for: (i) Seven years from the date of filing; (ii) Duration of any ongoing audits; (iii) Period required by state-specific regulations.

5.0 TAX RECORDS AND DOCUMENTATION

5.1 Record Retention (a) Tax returns and supporting documentation shall be retained for seven (7) years. (b) R&D tax credit documentation shall be maintained for ten (10) years. (c) Transfer pricing documentation shall be retained for seven (7) years. (d) Employment tax records shall be maintained for a minimum of four (4) years. (e) Property tax documentation shall be retained for the duration of ownership plus seven (7) years.

5.2 Documentation Requirements (a) AI development costs shall be documented through: (i) Time tracking records; (ii) Project documentation; (iii) Technical specifications; (iv) Resource allocation records; (v) Vendor contracts and invoices; and (vi) Development milestone documentation. (b) Supporting documentation must include: (i) Detailed cost allocation methodologies; (ii) Research protocols and outcomes; (iii) Personnel qualification records; and (iv) Equipment depreciation schedules.

5.3 Electronic Records (a) Electronic records shall be maintained in accordance with IRS requirements. (b) Backup systems shall be maintained for all tax-related documentation. (c) Access controls shall be implemented for tax record systems. (d) Electronic storage systems must: (i) Ensure data integrity through encryption; (ii) Maintain audit trails of access and modifications; (iii) Support disaster recovery protocols; and (iv) Enable efficient retrieval during audits.

5.4 Documentation Standards (a) All tax-related documentation must: (i) Be dated and time-stamped; (ii) Include authorized signatures where required; (iii) Reference relevant project codes or identifiers; (iv) Maintain consistent formatting standards; and (v) Include cross-references to related documents.

5.5 Audit Compliance (a) Documentation must support: (i) Internal audit requirements; (ii) External audit verification; (iii) Tax authority examinations; and (iv) Regulatory compliance reviews. (b) Regular documentation reviews shall be conducted quarterly. (c) Documentation deficiencies must be remediated within thirty (30) days. (d) Annual compliance certifications shall be maintained.

6.0 GENERAL PROVISIONS

6.1 Confidentiality. All tax-related information shall be treated as confidential information subject to the Company's confidentiality policies.

6.2 Force Majeure. Performance obligations may be excused due to circumstances beyond reasonable control, including technology system failures or cyber incidents.

6.3 Governing Law. This Document shall be governed by Delaware law.

6.4 Amendment. This Document may be amended by written resolution of the Board of Directors.

IN WITNESS WHEREOF, this 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 Thresholds EXHIBIT B: Documentation Requirements for R&D Tax Credits APPENDIX 1: Revenue Recognition Procedures APPENDIX 2: Transfer Pricing Methodology