# TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION (this "Certificate") 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 develops and licenses proprietary artificial intelligence software solutions for industrial applications;

WHEREAS, the Company desires to certify certain tax matters relating to its business operations, revenue characterization, and compliance status;

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

## 1.0 TAX MATTERS CERTIFICATE

### 1.1 Entity Classification

The Company hereby certifies that it has not filed IRS Form 8832 (Entity Classification Election) and is properly classified as a C-corporation for U.S. federal income tax purposes. The Company further acknowledges its obligation to maintain this classification unless explicitly modified through appropriate IRS filings and shareholder approvals.

### 1.2 Tax Residency

The Company is a U.S. person within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not subject to backup withholding. The Company maintains its principal place of business within the United States and conducts substantial business operations therein.

### 1.3 FATCA Status

The Company certifies its status as a U.S. person exempt from FATCA reporting and withholding requirements under Chapter 4 of the Code. The Company acknowledges its responsibility to notify relevant parties of any change in this status within 30 days of such change.

### 1.4 Software Revenue Characterization

(a) The Company's NexusCore™ Industrial AI Platform generates revenue primarily through: (i) Software-as-a-Service (SaaS) subscriptions characterized as services under IRC Section 861; (ii) Perpetual software licenses treated as sales of copyrighted articles under Treas. Reg. 1.861-18; (iii) Implementation services classified as personal services under IRC Section 861(a)(3).

(b) The Company maintains detailed documentation supporting the characterization of its revenue streams, including: (i) Customer agreements demonstrating the nature of SaaS delivery; (ii) Technical documentation establishing software control and delivery methods; (iii) Service agreements specifying the scope of implementation services; (iv) Internal accounting procedures ensuring proper revenue classification.

## 2.0 TAX REPRESENTATIONS AND WARRANTIES

### 2.1 Filing Compliance

The Company represents and warrants that: (a) All required federal, state, and local tax returns have been timely filed, including income, sales, use, property, payroll, and information returns; (b) All tax returns are true, complete, and accurate in all material respects, with supporting documentation maintained for a minimum of seven (7) years; (c) The Company maintains adequate books and records supporting all tax positions, including contemporaneous documentation of research activities; (d) All estimated tax payments have been made in accordance with applicable regulations and deadlines.

### 2.2 Payment of Taxes

(a) All taxes shown as due on filed returns have been paid or adequately reserved for on the Company's financial statements; (b) The Company maintains sufficient cash reserves to cover any potential tax assessments; (c) No liens for taxes have been filed against any Company assets; (d) All payroll tax deposits have been made timely and in the correct amounts.

### 2.3 Audits and Examinations

(a) No federal, state, or local tax audits are currently in progress; (b) No written notice of any pending audit has been received within the past twenty-four (24) months; (c) No material adjustments have been proposed in any completed audit; (d) The Company has responded promptly to all information document requests; (e) No outstanding disputes exist with any taxing authority regarding previously filed returns.

## 2.4 R&D Tax Credits

The Company claims R&D tax credits under IRC Section 41 for: (a) Qualified research expenses related to AI algorithm development, including: (i) Salary expenses for software engineers and data scientists; (ii) Cloud computing costs directly related to research activities; (iii) Third-party contractor expenses for specialized development; (b) Machine learning model optimization activities, specifically: (i) Testing of new algorithmic approaches; (ii) Performance optimization experiments; (iii) Model validation and verification procedures; (c) Software integration testing and validation, encompassing: (i) System architecture improvements; (ii) API development and testing; (iii) Security protocol implementation.

## 2.5 State Nexus Declarations

The Company maintains sales tax nexus and filing obligations in: (a) States where it maintains employees or offices, including: (i) Documentation of employee work locations; (ii) Registration with state employment agencies; (iii) Compliance with state-specific payroll requirements; (b) States exceeding economic nexus thresholds for SaaS revenue, with: (i) Monthly monitoring of revenue thresholds; (ii) Timely registration upon threshold achievement; (iii) Collection and remittance of applicable taxes; (c) States where it conducts substantial implementation services, including: (i) Documentation of service locations; (ii) Tracking of on-site personnel activities; (iii) Compliance with local business licensing requirements.

## 2.6 Tax Planning and Risk Management

(a) The Company maintains documented tax planning strategies; (b) Regular reviews are conducted to identify tax optimization opportunities; (c) External tax advisors are consulted for complex transactions; (d) Internal controls exist to monitor ongoing tax compliance; (e) Tax risk assessments are performed quarterly.

# 3.0 INTERNATIONAL TAX MATTERS

## 3.1 Transfer Pricing

(a) The Company maintains comprehensive transfer pricing documentation for all material intercompany transactions, including: (i) Detailed functional and risk analyses for all related parties; (ii) Contemporaneous documentation supporting pricing methodologies; (iii) Annual benchmarking studies comparing third-party transactions; (iv) Master file and local file documentation as required by OECD guidelines. (b) All cross-border transactions are conducted at arm's length under IRC Section 482 and applicable OECD Transfer Pricing Guidelines; (c) The Company reviews and updates transfer pricing policies annually to reflect changes in business operations and market conditions.

### 3.2 Withholding Obligations

The Company: (a) Collects appropriate documentation (W-8/W-9 forms) from all vendors and maintains a systematic review process to ensure documentation validity; (b) Withholds required taxes on payments to foreign persons in accordance with: (i) Applicable treaty rates and limitations; (ii) Local country requirements; (iii) Special withholding provisions for technical services; (c) Files Forms 1042/1042-S for reportable payments to foreign persons within prescribed deadlines; (d) Maintains procedures to identify and properly classify payment types subject to withholding; (e) Conducts quarterly reviews of withholding compliance and documentation status.

### 3.3 Permanent Establishment

(a) The Company's cloud-based service delivery model is structured to avoid creating permanent establishments in customer jurisdictions through: (i) Centralized infrastructure management; (ii) Limited local presence in foreign markets; (iii) Automated service delivery systems; (b) The Company regularly assesses permanent establishment risk factors, including: (i) Server and data center locations; (ii) Employee activities in foreign jurisdictions; (iii) Contract terms and service delivery methods.

### 3.4 Digital Services Tax

(a) The Company monitors and complies with emerging digital services tax obligations by: (i) Maintaining real-time tracking of digital service tax legislation; (ii) Implementing jurisdiction-specific compliance procedures; (iii) Calculating and remitting digital services taxes as required; (b) The Company maintains systems to: (i) Track revenue attributable to each jurisdiction; (ii) Identify transactions subject to digital services tax; (iii) Document compliance with local digital services tax requirements; (c) Regular assessments are conducted to evaluate the impact of proposed digital services tax legislation on the Company's operations and pricing structure.

## 4.0 SPECIAL TAX CONSIDERATIONS

### 4.1 Software Development Costs

(a) Internal-use software development costs are capitalized under IRC Section 167, with straight-line amortization over 36 months from the date placed in service; (b) Research costs qualifying under IRC Section 174 are appropriately treated, including experimental costs related to AI algorithm development; (c) Cloud computing implementation costs follow Rev. Proc. 2000-50, with specific consideration for platform-as-a-service configurations; (d) Development costs must be clearly segregated between qualified research expenses and routine maintenance activities.

## 4.2 AI Technology Classification

The Company's proprietary AI technology is classified as: (a) Computer software under IRC Section 197, subject to 15-year amortization when acquired; (b) Self-developed intangible property excluded from Section 197 amortization; (c) Core AI algorithms are treated as trade secrets for tax purposes; (d) Machine learning models are classified as intellectual property with specific basis calculations.

## 4.3 Revenue Recognition

Revenue recognition methods align with: (a) ASC 606 for GAAP purposes, with specific implementation for AI-driven service contracts; (b) IRC Section 451 for tax purposes, including advance payments and deferral provisions; (c) State-specific sourcing rules for SaaS transactions, with market-based sourcing; (d) Multi-element arrangements requiring separate performance obligation identification; (e) Subscription-based revenue streams with recurring billing cycles.

## 4.4 Sales Tax Collection

The Company maintains automated systems for: (a) Determining taxability of SaaS products by jurisdiction, including AI consulting services; (b) Calculating and collecting applicable sales taxes, with real-time rate updates; (c) Filing returns in all required jurisdictions, maintaining audit trails; (d) Economic nexus monitoring based on Wayfair thresholds; (e) Documentation of exempt sales and resale certificates.

## 4.5 International Tax Considerations

(a) Transfer pricing documentation for cross-border AI technology licensing; (b) GILTI calculations for foreign-derived intangible income; (c) Treaty considerations for international data processing services; (d) VAT implications for digital service provisions in foreign jurisdictions.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the Effective Date.

[Remaining signature block and exhibits as previously stated]