

TAX MATTERS DOCUMENT 23

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 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company") (EIN: 81-3456789).

WHEREAS, the Company develops and commercializes proprietary artificial intelligence and machine learning solutions for industrial applications through its NexusCore™ platform and related services;

WHEREAS, the Company generates revenue through various channels including software licensing, implementation services, and maintenance fees across multiple tax jurisdictions;

WHEREAS, the Company seeks to document and establish clear tax treatment protocols for its various revenue streams, intellectual property assets, and international operations;

NOW, THEREFORE, the Company hereby establishes and documents the following tax matters:

1.0 PREAMBLE AND RECITALS

1.1 This Document shall serve as Tax Matters Document 23 in the Company's tax documentation series and establishes authoritative tax treatment protocols for the Company's operations, pursuant to Internal Revenue Code sections 162, 174, and 197, and applicable international tax regulations.

1.2 The Company, incorporated in Delaware on March 15, 2017, maintains its headquarters and principal place of business in Wilmington, Delaware, with additional offices in various U.S. states and European jurisdictions. The Company's Employer Identification Number (EIN) is 81-3456789, and its Delaware Business Registration Number is DE-7654321.

1.3 This Document specifically addresses tax matters related to: (a) Software-as-a-Service (SaaS) revenue recognition and classification (b) Intellectual property development and commercialization (c) Multi-jurisdictional service delivery (d) Research and development activities (e) International revenue allocation and transfer pricing

1.4 WHEREAS, the Company engages in complex international transactions requiring careful consideration of tax implications across multiple jurisdictions, including but not limited to the United States, European Union, and Asia-Pacific regions.

1.5 WHEREAS, the Company maintains subsidiary operations in Ireland (Registration: IE789456), Germany (Registration: DE456123), and Singapore (Registration: SG321987), necessitating compliance with various international tax treaties and conventions.

1.6 NOW, THEREFORE, this Document establishes comprehensive guidelines for tax treatment of the Company's operations, ensuring compliance with domestic and international tax regulations, including OECD Transfer Pricing Guidelines, Base Erosion and Profit Shifting (BEPS) requirements, and jurisdiction-specific tax provisions.

1.7 This Document shall be interpreted in conjunction with the Company's Master Tax Policy (Document 1) and International Operations Tax Guidelines (Document 15).

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "NexusCore™ Platform" means the Company's proprietary artificial intelligence and machine learning software platform, including all modules, components, and associated intellectual property, encompassing: (a) Core algorithmic processing engines (b) Machine learning model architectures (c) Training datasets and associated metadata (d) User interface components and APIs (e) Documentation and technical specifications

2.2 "SaaS Revenue" means subscription fees received from customers for access to and use of the NexusCore™ Platform, excluding implementation services and maintenance fees. This includes: (a) Recurring subscription payments (b) Usage-based fees (c) Platform access licenses (d) API consumption charges (e) Data processing fees

2.3 "Implementation Services" means professional services provided to customers for platform deployment, configuration, and integration, including but not limited to: (a) Initial platform setup and configuration (b) Data migration and integration services (c) Custom model training and optimization (d) System integration consulting (e) User training and onboarding

2.4 "Qualified Research Expenses" or "QREs" means expenses that qualify for research and development tax credits under IRC Section 41, including: (a) Wages for qualified services, specifically: (i) Direct research activities (ii) Direct supervision of research (iii) Support services for research (b) Supplies used in research (c) Contract research expenses (d) Basic research payments (e) Cloud computing expenses directly related to R&D activities

2.5 "Transfer Pricing" means the methodology and documentation for establishing arm's length prices for intercompany transactions between Company entities in different tax jurisdictions, including: (a) Cost-plus arrangements for development services (b) Profit-split methodologies for IP licensing (c) Service-level agreements for platform access (d) Revenue allocation for multi-jurisdiction deployments

2.6 "Intellectual Property Rights" means all rights in: (a) Patents, patent applications, and patent rights (b) Trademarks, trademark applications, and trademark rights (c) Trade secrets

and proprietary information (d) Copyrights, copyright applications, and copyright rights (e) AI-generated innovations and derivative works

2.7 "Revenue Recognition Criteria" means the conditions that must be met to recognize revenue under applicable accounting standards, including: (a) Identification of customer contract (b) Performance obligations fulfillment (c) Transaction price determination (d) Price allocation to obligations (e) Revenue recognition timing

2.8 "Tax Jurisdiction" means any governmental authority or tax administration body with the power to levy taxes on: (a) Corporate income (b) Digital services (c) Intellectual property (d) Cross-border transactions (e) Technology transfer payments

2.9 "Intercompany Transactions" means any business activity between affiliated entities, including: (a) Technology licensing (b) Service provision (c) Revenue sharing (d) Cost allocation (e) Resource deployment

3.0 TAX CLASSIFICATIONS AND TREATMENTS

3.1 NexusCore™ Platform Revenue Classification

(a) SaaS Revenue shall be recognized and classified as services income for tax purposes, with recognition occurring ratably over the subscription term.

(b) The Company shall maintain detailed documentation of: (i) Customer contracts and subscription terms (ii) Revenue allocation by jurisdiction (iii) State nexus determinations (iv) International revenue attribution

(c) Multi-element arrangements shall be analyzed and allocated as follows: (i) Separate performance obligations shall be identified and valued (ii) Revenue shall be allocated based on relative standalone selling prices (iii) Bundled offerings shall be unbundled for tax classification purposes (iv) Documentation of allocation methodologies shall be maintained

(d) International tax considerations shall include: (i) Transfer pricing documentation for cross-border transactions (ii) VAT/GST treatment of digital services (iii) Permanent establishment analysis (iv) Treaty implications for software licensing

3.2 Implementation Services Treatment

(a) Implementation Services revenue shall be classified as services income and recognized as services are performed.

(b) The Company shall document: (i) Time and materials billing records (ii) Project completion milestones (iii) Service delivery locations (iv) Resource allocation across jurisdictions

(c) Implementation cost capitalization shall follow: (i) Direct labor costs shall be tracked separately (ii) Overhead allocation methodologies shall be documented (iii) Training costs shall be expensed as incurred (iv) Travel expenses shall be segregated by jurisdiction

(d) Mixed service contracts shall be analyzed for: (i) Separable performance obligations (ii) Training versus implementation components (iii) Hardware integration elements (iv) Ongoing support obligations

3.3 Intellectual Property Tax Treatment

(a) Research and development costs shall be: (i) Capitalized where appropriate under IRC Section 174 (ii) Amortized over five years for tax purposes (iii) Documented for R&D tax credit qualification (iv) Segregated between qualified and non-qualified activities

(b) Patent and intellectual property amortization shall follow: (i) 15-year amortization schedule for developed technology (ii) Separate tracking of domestic and international IP development costs (iii) Documentation of useful life determinations (iv) Regular impairment testing protocols

3.4 State Tax Nexus Determinations

(a) Economic nexus thresholds shall be monitored for: (i) Sales revenue by state (ii) Number of transactions by jurisdiction (iii) Digital product delivery locations (iv) Remote employee locations

(b) Physical presence nexus shall be documented for: (i) Employee locations and activities (ii) Server and data center locations (iii) Sales representative activities (iv) Training and implementation locations

3.5 Tax Compliance Documentation Requirements

(a) The Company shall maintain comprehensive records including: (i) Revenue recognition policies and procedures (ii) Jurisdiction-specific tax determinations (iii) Supporting calculations and workpapers (iv) Audit trail documentation

(b) Annual review procedures shall include: (i) Update of nexus determinations (ii) Validation of revenue classification methodologies (iii) Review of international tax positions (iv) Assessment of tax credit qualification

3.6 Special Tax Considerations

(a) Artificial Intelligence Components: (i) Classification of AI training costs (ii) Treatment of data acquisition expenses (iii) Attribution of AI-generated revenue (iv) Cross-border AI service delivery implications

(b) Cloud Infrastructure Costs: (i) Treatment of third-party hosting expenses (ii) Classification of hybrid cloud arrangements (iii) Multi-jurisdiction infrastructure allocation (iv) Data center equipment depreciation

(c) Emerging Technology Considerations: (i) Treatment of blockchain implementations (ii) Classification of smart contract revenue (iii) NFT-related tax implications (iv) Digital asset valuation methodologies

4.0 INTERNATIONAL TAX CONSIDERATIONS

4.1 European Market Operations

(a) The Company shall maintain documentation of: (i) Permanent establishment determinations, including physical presence analysis, fixed place of business assessments, and dependent agent evaluations (ii) VAT registration and compliance, encompassing threshold monitoring, reporting obligations, and local jurisdiction requirements (iii) Revenue sourcing rules application across all EU member states (iv) Treaty position documentation and beneficial ownership verification

(b) The Company shall implement procedures for: (i) Economic substance validation in each jurisdiction (ii) Digital services tax compliance where applicable (iii) Local country filing requirements and deadlines (iv) Documentation of fixed establishment criteria

4.2 Transfer Pricing Methodology

(a) The Company adopts the following transfer pricing methods: (i) Cost plus method for implementation services, with markup rates determined annually based on comparable market analysis (ii) Comparable uncontrolled price method for platform licensing, supported by third-party benchmarking studies (iii) Profit split method for technology development activities, with allocation factors reviewed quarterly

(b) Transfer pricing documentation requirements: (i) Master file maintenance and annual updates (ii) Local file preparation for each jurisdiction (iii) Country-by-country reporting when applicable (iv) Contemporaneous documentation of methodology selection (v) Intercompany agreement maintenance and updates

4.3 International Revenue Attribution

(a) Revenue shall be attributed based on: (i) Customer location, determined by primary place of business (ii) Service delivery location, including remote service provision (iii) Intellectual property utilization across jurisdictions (iv) Risk allocation between entities, documented through functional analysis

(b) Attribution methodology shall consider: (i) Digital economy characteristics (ii) Multi-jurisdictional service delivery (iii) Shared intellectual property rights (iv) Cost sharing arrangements

4.4 Foreign Tax Credit Management

(a) The Company shall maintain systems for: (i) Tracking foreign tax payments by jurisdiction (ii) Calculating foreign tax credit limitations (iii) Monitoring foreign tax credit carryforwards (iv) Documenting qualification for credit or deduction treatment

4.5 Withholding Tax Compliance

(a) The Company shall establish procedures for: (i) Identifying withholding tax obligations (ii) Collecting tax residency certificates (iii) Applying treaty benefits where available (iv) Maintaining withholding tax documentation

4.6 International Tax Reporting

(a) The Company shall implement processes for: (i) FATCA compliance and reporting (ii) Common Reporting Standard (CRS) obligations (iii) Ultimate beneficial ownership reporting (iv) Economic substance reporting

4.7 Tax Risk Management

(a) The Company shall maintain: (i) Documentation of tax positions taken in each jurisdiction (ii) Assessment of tax authority audit risk (iii) Monitoring of international tax law changes (iv) Procedures for responding to tax authority inquiries

4.8 Compliance Review

(a) The Company shall conduct: (i) Annual review of international tax compliance (ii) Quarterly assessment of permanent establishment risk (iii) Regular review of transfer pricing policies (iv) Periodic evaluation of tax optimization opportunities (v) Documentation of compliance procedures and outcomes

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Compliance Representations

The Company hereby represents and warrants that:

(a) All required tax returns have been timely filed in all applicable jurisdictions, including federal, state, local, and international tax authorities, with no outstanding extensions or amendments pending

(b) All tax payments have been made when due, including estimated tax payments, payroll taxes, sales and use taxes, value-added taxes, and any other applicable tax obligations

(c) Appropriate documentation is maintained supporting: (i) Revenue recognition methods and timing (ii) Transfer pricing positions and intercompany transactions (iii) R&D credit claims and supporting calculations (iv) International tax positions and permanent establishment analyses (v) State nexus determinations and apportionment methodologies (vi) Tax treaty positions and beneficial ownership documentation

5.2 R&D Credit Qualification

The Company represents that its research activities:

(a) Meet the four-part test under IRC Section 41, specifically: (i) Qualified purpose related to new or improved functionality (ii) Elimination of technical uncertainty (iii) Systematic process of experimentation (iv) Reliance on hard sciences

(b) Are appropriately documented with: (i) Project records and contemporaneous documentation (ii) Time tracking and allocation methodologies (iii) Technical uncertainty documentation and resolution approaches (iv) Process of experimentation evidence and test results (v) Technical staff qualifications and roles

5.3 Additional Tax Representations

The Company further represents and warrants that:

(a) No material tax audits or examinations are currently pending or threatened

(b) All transfer pricing arrangements are supported by appropriate documentation and comply with Section 482 principles

(c) The Company maintains appropriate internal controls for tax compliance, including: (i) Regular review of tax positions (ii) Documentation retention procedures (iii) Tax risk assessment protocols (iv) Compliance monitoring systems

(d) All tax elections and accounting method changes have been properly filed and documented

(e) The Company has disclosed all reportable transactions under Treasury Regulation 1.6011-4

(f) No tax sharing or allocation agreements exist except as disclosed in Exhibit E

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

EXHIBITS:

Exhibit A: State Nexus Analysis Exhibit B: Transfer Pricing Study Exhibit C: R&D Credit Documentation Exhibit D: International Tax Structure Exhibit E: Tax Sharing Agreements

[End of Section]