

TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION (this "Certificate") is made and executed 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 provides proprietary artificial intelligence software solutions for industrial applications; and

WHEREAS, the Company desires to certify and document its tax status, obligations, and compliance for various business purposes;

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

1.0 TAX MATTERS CERTIFICATE

1.1 Entity Classification. The Company hereby certifies that it has not filed Form 8832 to elect classification as other than a corporation for U.S. federal tax purposes and remains classified as a C-corporation under Section 301.7701-3 of the Treasury Regulations. The Company further affirms that it has maintained continuous C-corporation status since its incorporation date.

1.2 Tax Residency. The Company certifies that it is a U.S. person for federal tax purposes, incorporated under the laws of Delaware, and maintains its principal place of business within the United States. The Company confirms it files Form 1120 annually and maintains substantial business operations within U.S. territory as defined under IRC Section 7701(a)(30).

1.3 FATCA Status. The Company declares its status as an Excepted Non-Financial Entity under FATCA regulations and certifies compliance with all applicable FATCA reporting requirements under IRC Section 1471. The Company maintains appropriate documentation, including Form W-8BEN-E, for all foreign business relationships and conducts regular FATCA compliance reviews.

1.4 Sales Tax Nexus. The Company acknowledges economic nexus for sales tax purposes in thirty-seven (37) U.S. states based on its SaaS revenue thresholds and maintains active sales tax registrations in all applicable jurisdictions. The Company specifically confirms compliance with state-specific economic nexus thresholds, including but not limited to: (i) \$100,000 in

annual revenue or 200 separate transactions in California; (ii) \$500,000 in annual revenue in New York; and (iii) \$250,000 in annual revenue in Texas.

1.5 Tax Compliance Verification. The Company certifies that it maintains comprehensive records of all tax filings, payments, and correspondence with tax authorities. The Company conducts quarterly internal reviews of its tax compliance status and engages independent auditors annually to verify adherence to all applicable tax regulations and reporting requirements.

2.0 TAX REPRESENTATIONS AND WARRANTIES

2.1 Federal and State Tax Compliance

(a) The Company represents that it has timely filed all required federal and state income tax returns for all tax years since incorporation through tax year 2023.

(b) All estimated tax payments have been made when due, and no tax extensions are currently in effect.

(c) The Company maintains comprehensive records of all state nexus determinations, apportionment calculations, and supporting documentation for multi-state operations.

(d) Sales tax registrations and compliance procedures are maintained in all jurisdictions where the Company has established economic nexus under applicable state thresholds.

2.2 R&D Tax Credits

(a) The Company has claimed federal R&D tax credits under IRC Section 41 for qualifying software development activities related to its NexusCore™ platform.

(b) Supporting documentation for all R&D credit claims is maintained in accordance with Treasury Regulation 1.41-4(d).

(c) The Company implements systematic processes to track and document: (i) Qualified research expenses (QREs) (ii) Time allocation of technical personnel (iii) Project documentation demonstrating technical uncertainty (iv) Process of experimentation records (iv) Documentation of software development lifecycle stages

(d) State-level R&D credits are claimed in accordance with applicable state regulations and documentation requirements.

2.3 Software Development Treatment

(a) The Company capitalizes certain software development costs in accordance with IRC Section 174 as amended by the Tax Cuts and Jobs Act of 2017.

(b) Internal-use software development costs are amortized under the straight-line method over 36 months.

(c) The Company maintains detailed records distinguishing between: (i) Research and experimental expenditures (ii) Software development costs eligible for capitalization (iii) Maintenance and bug fix expenses (iv) Cloud computing implementation costs

(d) Revenue recognition for software licenses and SaaS subscriptions follows IRC Section 451 guidelines and applicable revenue procedure requirements.

2.4 International Tax Obligations

(a) The Company warrants compliance with all international tax obligations arising from its operations, including: (i) Transfer pricing documentation for intercompany transactions (ii) VAT registration and compliance in applicable jurisdictions (iii) Withholding tax obligations on cross-border payments

(b) The Company maintains contemporaneous documentation supporting: (i) Permanent establishment determinations (ii) Foreign tax credit calculations (iii) GILTI and Subpart F income reporting (iv) Base erosion and anti-abuse tax (BEAT) compliance

2.5 Tax Governance and Risk Management

(a) The Company maintains a comprehensive tax risk management framework, including: (i) Regular internal tax compliance reviews (ii) Documentation of material tax positions (iii) Monitoring of tax law changes affecting software and technology companies (iv) Procedures for identifying and addressing tax uncertainties

(b) The Company engages qualified tax advisors for complex transactions and maintains documentation of all material tax advice received.

(c) Tax provision calculations and financial statement disclosures comply with ASC 740 requirements, including appropriate documentation of uncertain tax positions.

3.0 REVENUE RECOGNITION AND TAX TREATMENT

3.1 ASC 606 Compliance

(a) The Company recognizes revenue in accordance with ASC 606 principles for its subscription-based software services, applying the five-step model: (i) Identification of customer contracts (ii) Determination of performance obligations (iii) Establishment of transaction pricing (iv) Allocation of transaction price to obligations (v) Recognition of revenue upon satisfaction of obligations

(b) Performance obligations are identified and allocated based on standalone selling prices of distinct services, determined through: (i) Observable pricing from standalone sales (ii) Market assessment approach when direct observation is unavailable (iii) Expected cost plus margin methodology as a last resort

3.2 Subscription Revenue Treatment

(a) SaaS subscription revenues are recognized ratably over the contract term, with consideration for: (i) Multi-year contract provisions (ii) Early termination clauses (iii) Service level agreement commitments (iv) Usage-based components

(b) Implementation and professional services revenue is recognized as services are performed, subject to: (i) Milestone completion verification (ii) Customer acceptance criteria (iii) Time and materials documentation (iv) Project completion parameters

3.3 State Tax Apportionment

(a) The Company applies market-based sourcing rules for state income tax apportionment, with revenue sourced to customer locations in accordance with state-specific regulations, including: (i) User location tracking methodologies (ii) Primary benefit location determination (iii) Multiple points of use provisions (iv) Economic nexus thresholds

(b) Documentation requirements include: (i) Customer location verification (ii) Usage tracking records (iii) Benefit receipt documentation (iv) Nexus determination studies

3.4 International Revenue Sourcing

(a) Revenue from international customers is sourced in accordance with: (i) Applicable tax treaties (ii) Local country digital service tax regulations (iii) VAT/GST requirements (iv) Permanent establishment considerations

(b) Compliance measures include: (i) Treaty benefit documentation (ii) Digital service tax registration (iii) Cross-border transaction reporting (iv) Transfer pricing documentation

3.5 Revenue Recognition Disputes

(a) Resolution procedures for revenue recognition disputes shall follow: (i) Internal review processes (ii) Customer communication protocols (iii) Documentation requirements (iv) Adjustment procedures

4.0 TAX COMPLIANCE DECLARATIONS

4.1 Sales and Use Tax Compliance

(a) The Company maintains sales tax compliance through automated tax calculation and filing systems, including real-time validation of tax rates and jurisdictional requirements across all operating territories.

(b) Use tax is properly accrued and remitted on all taxable purchases where sales tax was not collected, with monthly reconciliation procedures implemented to ensure completeness.

(c) The Company maintains detailed documentation of exempt sales transactions, including valid resale and exemption certificates, stored in a secure digital repository with backup systems.

4.2 Property Tax Declarations

- (a) The Company declares all taxable business property in jurisdictions where it maintains physical presence or equipment installations, including: (i) Manufacturing equipment and machinery (ii) Office furniture and fixtures (iii) Computer hardware and software (iv) Leasehold improvements (v) Inventory held for resale
- (b) Annual property tax returns are filed with comprehensive asset listings and depreciation schedules as required by local taxing authorities.

4.3 Employment Tax Compliance

- (a) All required federal and state employment tax returns have been filed timely, including Forms 940, 941, and state unemployment tax returns.
- (b) The Company maintains worker classification compliance for both employees and independent contractors, with documented criteria for classification decisions.
- (c) Payroll tax deposits are made according to prescribed schedules, with verification procedures to ensure timely submission and accurate calculations.

4.4 Information Return Filing Status

- (a) All required information returns, including Forms 1099-NEC, 1099-MISC, and W-2, have been timely filed for all applicable tax years.
- (b) The Company maintains comprehensive vendor and contractor databases with current W-9 documentation and tax identification verification.

4.5 State Tax Registration and Nexus

- (a) The Company maintains active tax registrations in all jurisdictions where business activities create nexus obligations, including: (i) Physical presence (ii) Economic nexus thresholds (iii) Affiliate relationships (iv) Remote seller obligations
- (b) Regular nexus reviews are conducted to identify new filing obligations as business activities evolve.

4.6 Documentation and Record Retention

The Company maintains all required tax documentation according to prescribed retention schedules, with secure storage systems and disaster recovery protocols in place.