

# **TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION**

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION (this "Certificate") is made and entered into as of January 15, 2024 (the "Effective Date"), by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation (the "Company").

WHEREAS, the Company is a Delaware corporation engaged in the development and commercialization of artificial intelligence software solutions for industrial applications;

WHEREAS, the Company desires to certify certain matters relating to its tax status, compliance, and obligations;

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

## **1.0 TAX MATTERS CERTIFICATE**

### **1.1 Entity Classification**

The Company hereby certifies that it (a) is a corporation duly organized under the laws of the State of Delaware, (b) has not made any election to be treated as other than a C-corporation for U.S. federal income tax purposes, and (c) maintains its status as a domestic corporation under Section 7701(a)(4) of the Internal Revenue Code of 1986, as amended (the "Code"). The Company further affirms that it has not filed Form 8832 or any similar election to modify its tax classification since incorporation.

### **1.2 Tax Residency**

The Company confirms its tax residency in the United States and certifies that it maintains its principal place of business at 2500 Innovation Drive, Suite 400, Wilmington, Delaware 19801. The Company maintains substantial business operations at this location, including executive offices and administrative functions, thereby establishing clear domestic residency for tax purposes under Treasury Regulation §301.7701-2(b)(1).

### **1.3 FATCA Status**

The Company certifies its status as a U.S. Person as defined in Section 7701(a)(30) of the Code and is not subject to FATCA withholding as a foreign financial institution. The Company maintains appropriate documentation, including Form W-9, to verify its status for all financial relationships and payment processing arrangements.

## **1.4 Sales Tax Nexus**

The Company acknowledges economic nexus for sales tax purposes in thirty-seven (37) U.S. states based on its software-as-a-service revenue streams 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: (a) California (\$500,000 annual sales), (b) New York (\$500,000 annual sales and 100 transactions), and (c) Texas (\$500,000 annual sales). The Company's software-as-a-service offerings are categorized as taxable digital products or services in accordance with each state's specific regulations and interpretations.

## **1.5 Tax Compliance Procedures**

The Company maintains comprehensive internal procedures for monitoring and ensuring compliance with all applicable tax obligations, including quarterly nexus reviews, annual state tax registration audits, and regular verification of tax classification status. All tax-related certifications herein are subject to annual review and update by the Company's tax department or authorized representatives.

# **2.0 TAX REPRESENTATIONS AND WARRANTIES**

## **2.1 Federal Income Tax Compliance**

The Company represents and warrants that: (a) It has timely filed all required federal income tax returns, including Form 1120 and all applicable schedules; (b) All such returns are true, complete, and accurate in all material respects, with supporting documentation maintained for a minimum of seven years; (c) All federal income taxes shown as due have been paid in full, including estimated tax payments and any applicable penalties or interest; (d) No federal tax audits or examinations are currently pending or threatened, and any prior audits have been fully resolved with no outstanding issues; (e) The Company maintains comprehensive internal controls to ensure ongoing federal tax compliance and accurate reporting of revenue recognition for software licenses and subscription services.

## **2.2 State and Local Tax Compliance**

The Company represents that: (a) It has properly collected and remitted all applicable state and local sales taxes on its SaaS offerings, maintaining detailed records of tax determinations by jurisdiction; (b) It has filed all required state income tax returns in jurisdictions where it maintains nexus, including economic nexus triggered by virtual presence; (c) It maintains appropriate documentation supporting its state tax positions regarding software licensing and cloud services, including multi-state allocation methodologies; (d) It has conducted thorough nexus studies to identify all state filing obligations and maintains current tax registrations in all required jurisdictions; (e) The Company's billing systems accurately capture and report taxable

transactions by jurisdiction, with appropriate tax rates and rules maintained and updated regularly.

## **2.3 International Tax Obligations**

The Company warrants that: (a) It complies with all applicable international tax treaties and maintains documentation of permanent establishment determinations; (b) It maintains appropriate transfer pricing documentation for international transactions, including functional analyses and comparable company studies; (c) It properly reports all foreign-source income on its U.S. tax returns and maintains GILTI calculations where applicable; (d) It complies with all VAT/GST requirements in jurisdictions where its software and services are sold; (e) The Company maintains procedures to identify and comply with country-specific digital services tax obligations.

## **2.4 R&D Tax Credit Qualification**

The Company represents that: (a) Its artificial intelligence and software development activities qualify as eligible research expenses under Section 41 of the Code, with specific documentation of technical uncertainty resolution; (b) It maintains contemporaneous documentation supporting its R&D credit claims, including project tracking, time allocation records, and technical narratives; (c) All claimed research activities satisfy the four-part test under Treasury Regulations, including process of experimentation documentation; (d) The Company segregates qualified research expenses from non-qualified activities and maintains appropriate cost allocation methodologies; (e) It conducts regular reviews of R&D activities to ensure continued qualification and maintains records of technological advancement objectives.

## **2.5 Tax Compliance Procedures**

The Company warrants that: (a) It maintains comprehensive tax compliance calendars and internal controls to ensure timely filing of all returns; (b) It regularly reviews and updates its tax positions regarding emerging technologies and revenue streams; (c) It engages qualified tax professionals to review significant transactions and technical positions; (d) It maintains documented procedures for identifying and reporting uncertain tax positions under ASC 740.

# **3.0 TAX COVENANTS**

## **3.1 Tax Return Filing Obligations**

The Company covenants to: (a) File all required tax returns and information returns when due, including federal, state, local, and international tax filings; (b) Maintain appropriate documentation supporting all tax positions, including contemporaneous records of material transactions; (c) Comply with all electronic filing requirements and digital submission protocols; (d) Engage qualified tax professionals for return preparation and review; (e) Submit

quarterly estimated tax payments as required by applicable jurisdictions; (f) Monitor and comply with changing tax regulations and filing deadlines across all operational jurisdictions.

### **3.2 Record Retention Requirements**

The Company shall: (a) Maintain all tax records for a minimum of seven (7) years from the date of filing; (b) Preserve documentation supporting R&D credit claims indefinitely, including detailed project records, time allocation data, and technical documentation; (c) Retain all transfer pricing studies and supporting analysis, including comparable company data and economic justification; (d) Implement appropriate electronic record retention systems with secure backup protocols; (e) Maintain detailed documentation of intellectual property valuations and related tax positions; (f) Archive all correspondence with tax authorities, including ruling requests and determinations.

### **3.3 Tax Authority Cooperation**

The Company agrees to: (a) Promptly respond to all tax authority inquiries within specified deadlines; (b) Provide requested documentation in a timely manner, properly organized and indexed; (c) Facilitate tax audits and examinations as required, including providing workspace for auditors; (d) Designate qualified personnel to serve as primary contacts for tax authority interactions; (e) Maintain professional relationships with tax authority representatives.

### **3.4 International Tax Compliance**

The Company commits to: (a) Implement appropriate transfer pricing methodologies for all intercompany transactions; (b) Maintain country-by-country reporting documentation where required; (c) Monitor permanent establishment exposure in foreign jurisdictions; (d) Comply with controlled foreign corporation (CFC) regulations; (e) Document all cross-border intellectual property transfers and licenses.

### **3.5 Tax Risk Management**

The Company shall: (a) Maintain a tax risk assessment framework; (b) Regular review of tax positions and planning strategies; (c) Document material tax positions and underlying assumptions; (d) Engage external advisors for complex transactions; (e) Implement internal controls specific to tax compliance; (f) Conduct periodic internal reviews of tax compliance procedures.

## **4.0 TAX INDEMNIFICATION**

### **4.1 Pre-Closing Tax Liabilities**

The Company shall remain liable for all taxes attributable to periods ending on or before the Effective Date, including but not limited to: (a) Federal, state, and local income taxes; (b) Sales and use taxes; (c) Employment and payroll taxes; (d) Property taxes and assessments; (e) Foreign taxes applicable to subsidiary operations; and (f) Any interest, penalties, or additions relating to the above.

### **4.2 Tax Contest Provisions**

The Company shall: (a) Promptly notify relevant parties of any tax audits or proceedings within ten (10) business days of receiving notice thereof; (b) Control the defense of any tax contests relating to pre-closing periods; (c) Bear all costs associated with such proceedings; (d) Maintain detailed records of all tax-related communications; (e) Provide quarterly updates to stakeholders regarding ongoing tax matters; (f) Engage qualified tax counsel as necessary for contested matters exceeding \$500,000; and (g) Obtain written approval from Series C investors for settlements exceeding \$1,000,000.

### **4.3 Survival and Limitations**

(a) The representations and warranties contained herein shall survive for three (3) years following the Effective Date. (b) The Company's aggregate liability shall not exceed \$10,000,000. (c) Claims under \$50,000 shall not be eligible for indemnification unless aggregated claims exceed \$250,000. (d) The statute of limitations for tax claims shall be extended by 180 days beyond statutory requirements.

### **4.4 Cooperation and Documentation**

(a) All parties shall cooperate in good faith regarding tax matters, including: (i) Providing access to relevant records and personnel; (ii) Executing necessary documentation; (iii) Assisting in tax return preparation and audits. (b) The Company shall maintain tax records for seven (7) years post-closing. (c) Electronic records shall be backed up quarterly and stored in secure facilities.

### **4.5 Special Considerations**

(a) R&D tax credits shall be allocated according to Exhibit B guidelines. (b) State tax registrations shall comply with Exhibit A requirements. (c) International tax implications shall be governed by applicable treaties. (d) Transfer pricing documentation shall be maintained per IRS regulations.

#### **4.6 Dispute Resolution**

(a) Tax-related disputes shall be resolved through: (i) Good faith negotiations for 30 days; (ii) Mediation for unresolved matters; (iii) Binding arbitration as a final resort. (b) The prevailing party shall be entitled to reasonable attorney's fees.

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: \_\_\_\_\_ Name: David Kumar Title: Chief Financial Officer

EXHIBIT A: State Tax Registration Schedule EXHIBIT B: R&D Credit Documentation  
Requirements APPENDIX 1: Tax Compliance Procedures