TAX DOCUMENT 26

REVENUE AND INTELLECTUAL PROPERTY TAX TREATMENT GUIDELINES

THIS TAX DOCUMENT 26 (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").

WHEREAS, the Company develops and commercializes proprietary artificial intelligence and machine learning software solutions, including its NexusCore™ Industrial AI Platform;

WHEREAS, the Company generates revenue through software licensing, subscription services, and professional services across multiple jurisdictions;

WHEREAS, the Company seeks to establish comprehensive guidelines for tax treatment of its revenue streams and intellectual property assets;

NOW, THEREFORE, the Company hereby establishes the following tax treatment guidelines:

1. Intellectual Property Development Costs 1.1. Research and development expenses related to the NexusCore™ Platform shall be capitalized and amortized over a five-year period pursuant to IRC Section 174. 1.2. Software development costs shall be treated in accordance with Rev. Proc. 2000-50, allowing for appropriate capitalization of post-feasibility development expenses.

2. Transfer Pricing Methodology 2.1. All intercompany transactions involving intellectual property shall follow the arm's length principle as defined in IRC Section 482. 2.2. Cost-sharing arrangements for international R&D activities shall be documented and maintained in accordance with Treas. Reg. §1.482-7.

3. Technology Depreciation Schedule 3.1. Core AI algorithms and proprietary software shall be depreciated using the straight-line method over a 36-month period. 3.2. Hardware infrastructure supporting AI operations shall follow MACRS depreciation guidelines.

4. Patent Portfolio Treatment 4.1. Patent application costs shall be capitalized and amortized over their legal life beginning from the grant date. 4.2. Maintenance fees shall be expensed as incurred.

5. Revenue Recognition 5.1. Subscription revenue shall be recognized ratably over the service period. 5.2. Professional services revenue shall be recognized as services are

performed. 5.3. Multi-element arrangements shall be allocated based on relative standalone selling prices.

6. State Tax Considerations 6.1. Delaware holding company structure shall be maintained for intellectual property management. 6.2. Economic nexus analysis shall be conducted quarterly for all jurisdictions where software is deployed.

7. International Tax Compliance 7.1. GILTI provisions shall be applied to foreign-derived intangible income. 7.2. Transfer pricing documentation shall be updated annually for all international subsidiaries.

This Document shall be reviewed annually and updated as necessary to reflect changes in tax law or Company operations. The Company's Chief Financial Officer shall be responsible for ensuring compliance with these guidelines.

1.0 PURPOSE AND SCOPE

1.1 This Document establishes binding guidelines for tax treatment of all Company revenue, assets, and operations related to its artificial intelligence and machine learning technologies, including but not limited to the NexusCore™ Industrial AI Platform and associated services. These guidelines serve as the authoritative framework for tax compliance, reporting obligations, and financial governance of all AI-driven business activities.

1.2 Geographic Scope. These guidelines shall apply to: (a) All domestic operations within the United States, including state and local tax jurisdictions; (b) International licensing and service delivery operations across all territories where the Company maintains a business presence; (c) Cross-border technology transfers and intellectual property deployment, including cloud-hosted services and distributed computing operations; (d) Virtual presence establishments through remote service delivery; (e) Data center operations and computing infrastructure locations.

1.3 Revenue Coverage. This Document governs tax treatment of: (a) Software-as-a-Service (SaaS) subscription fees, including tiered pricing models and usage-based billing; (b) Professional services revenue, encompassing implementation, training, and consulting services; (c) Technology licensing fees, including perpetual and term-based licensing arrangements; (d) Research and development activities, including government grants and tax credits; (e) Intellectual property monetization, including patents, algorithms, and proprietary datasets.

1.4 Temporal Application. These guidelines shall: (a) Take effect immediately upon formal adoption; (b) Apply to all existing and future revenue streams; (c) Govern the treatment of historical transactions subject to current audit periods; (d) Address prospective technology developments and emerging revenue models.

1.5 Exclusions. This Document explicitly excludes: (a) Non-AI software products and traditional IT services; (b) Third-party technology resale arrangements; (c) Investment income unrelated to core AI operations; (d) Employee compensation and benefits administration; (e) General corporate overhead not directly attributable to AI technologies.

2.0 REVENUE CLASSIFICATION AND RECOGNITION

2.1 SaaS Revenue Treatment (a) Subscription revenue shall be recognized ratably over the subscription term. (b) Multi-year contracts shall be allocated across fiscal years based on service delivery periods. (c) State revenue allocation shall follow market-based sourcing rules. (d) AI/ML software components shall be classified separately and recognized based on: (i) Core functionality licensing; (ii) Usage-based model training fees; (iii) API consumption charges. (e) Hybrid deployment models shall be bifurcated between on-premises and cloud components.

2.2 Professional Services Classification (a) Implementation services revenue shall be recognized upon completion of defined milestones. (b) Training services shall be recognized when delivered. (c) Consulting services shall be recognized as performed. (d) Custom development services shall be recognized based on: (i) Percentage of completion for fixed-price contracts; (ii) Time and materials basis for variable-scope engagements; (iii) Milestone achievement for hybrid arrangements. (e) Service level agreement (SLA) penalties shall be recorded as revenue reductions.

2.3 R&D Tax Credit Qualification (a) The Company shall document all qualifying research activities pursuant to IRC §41. (b) Qualifying expenses shall include: (i) Wages for engineers and developers engaged in qualified research; (ii) Supply costs directly related to R&D activities; (iii) Contract research expenses for qualifying projects. (c) Documentation requirements shall encompass: (i) Contemporaneous project tracking; (ii) Technical uncertainty evidence; (iii) Process of experimentation records; (iv) Innovation advancement documentation. (d) Cloud computing expenses shall be evaluated for qualification under: (i) Treasury Regulation §1.174-2; (ii) Revenue Procedure 2000-50; (iii) Applicable state provisions.

2.4 State Revenue Allocation (a) Revenue shall be allocated to states based on: (i) Customer location for SaaS subscriptions; (ii) Service delivery location for professional services; (iii) User location for multi-state deployments. (b) Nexus determination shall follow economic nexus standards. (c) Market-based sourcing shall consider: (i) Primary use location; (ii) Order placement location; (iii) Billing address hierarchy. (d) Multi-state user bases shall be allocated using: (i) Active user counts by jurisdiction; (ii) Revenue weighted attribution; (iii) Data storage location factors.

2.5 International Revenue Considerations (a) Cross-border transactions shall be documented pursuant to: (i) OECD Transfer Pricing Guidelines; (ii) Local country requirements; (iii)

Permanent establishment rules. (b) VAT/GST treatment shall follow: (i) Place of supply rules; (ii) Digital service provisions; (iii) Registration thresholds. (c) Currency translation shall use: (i) Transaction date rates for revenue recognition; (ii) Period-end rates for reporting; (iii) Hedging considerations for material exposures.

3.0 INTELLECTUAL PROPERTY TAX TREATMENT

3.1 Development Cost Allocation (a) Internal development costs shall be capitalized when technological feasibility is established. (b) Research phase costs shall be expensed as incurred. (c) Development phase costs shall be amortized over 36 months.

3.2 Transfer Pricing (a) International IP transfers shall follow arm's length principles. (b) Cost sharing arrangements shall be documented pursuant to Treasury Regulations. (c) Intercompany royalties shall reflect fair market value.

3.3 Technology Depreciation (a) Core platform technology: 5-year straight-line depreciation (b) Customer-specific customizations: 3-year straight-line depreciation (c) Third-party technology integrations: Term of license agreement

4.0 COMPLIANCE AND REPORTING REQUIREMENTS

4.1 Estimated Tax Payments (a) Quarterly payments shall be made based on projected annual income. (b) Payment schedule: (i) Q1: April 15 (ii) Q2: June 15 (iii) Q3: September 15 (iv) Q4: December 15 (c) Safe harbor provisions: (i) 100% of prior year tax liability for companies with adjusted gross income below $150,000 (ii) 110% of prior year tax liability for companies with adjusted gross income above $150,000 (d) Penalty avoidance requirements: (i) Minimum 90% of current year tax liability must be paid through estimated payments (ii) Documentation of calculation methodology must be maintained

4.2 State Tax Compliance (a) Economic nexus thresholds shall be monitored quarterly. (b) Sales tax collection obligations shall be reviewed monthly. (c) State income tax apportionment shall follow market-based sourcing. (d) Nexus determination criteria: (i) Physical presence including employee activities and property location (ii) Economic presence including revenue thresholds and transaction volumes (iii) Digital presence including web-based services and cloud computing (e) Documentation requirements: (i) Quarterly nexus study updates (ii) State-by-state compliance matrices (iii) Annual jurisdictional review reports

4.3 International Reporting (a) Foreign-derived intangible income (FDII) shall be calculated quarterly. (b) Transfer pricing documentation shall be updated annually. (c) Country-by-country reporting requirements shall be monitored. (d) Global tax compliance obligations: (i) Permanent establishment analysis (ii) Value-added tax (VAT) registration and reporting (iii) Digital services tax compliance (e) Documentation requirements: (i) Contemporaneous transfer

pricing documentation (ii) Intercompany agreement maintenance (iii) Global tax provision workpapers

4.4 Technology Export Compliance (a) Export Administration Regulations (EAR) compliance shall be maintained. (b) International Traffic in Arms Regulations (ITAR) reviews shall be conducted. (c) Technology control requirements: (i) Encryption item classification (ii) Deemed export compliance for foreign nationals (iii) Cloud computing security measures (d) Compliance program elements: (i) Annual training requirements for technical staff (ii) Quarterly audit of technology transfers (iii) Documentation of screening procedures (e) Reporting obligations: (i) Semi-annual compliance certifications (ii) Incident reporting procedures (iii) Record retention requirements of seven years (f) Violation prevention measures: (i) Pre-release technical review process (ii) End-user screening protocols (iii) Sanctioned country restrictions

EXHIBITS

Exhibit A: State Nexus Thresholds Exhibit B: R&D Tax Credit Documentation Requirements Exhibit C: Transfer Pricing Methodology

SIGNATURE

IN WITNESS WHEREOF, this Document has been executed as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: _____ Name: David Kumar Title: Chief Financial Officer Date: January 15, 2024