

TAX CERTIFICATION AND COMPLIANCE DOCUMENT

Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company"), provides artificial intelligence software solutions and related services through its NexusCore™ Industrial AI Platform;

WHEREAS, the Company seeks to document and certify its tax classification, revenue recognition methodologies, and compliance status for various tax purposes;

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

1.0 TAX CERTIFICATION AND REPRESENTATIONS

1.1 Entity Classification

The Company is properly classified as a C-Corporation under the Internal Revenue Code of 1986, as amended (the "Code"), incorporated in Delaware on March 15, 2018, with Employer Identification Number 82-XXXXXXX. The Company has not made any entity classification elections under Treasury Regulations Section 301.7701-3 and maintains its default classification status. All corporate formalities required to maintain C-Corporation status have been continuously observed since incorporation.

1.2 Tax Registration Status

- (a) The Company maintains active tax registrations in all jurisdictions where it conducts business operations or has tax nexus, including state, local, and foreign tax authorities as applicable.
- (b) The Company is registered for sales and use tax collection in thirty-seven (37) U.S. states where its software and services are deemed taxable. Such registrations are maintained current through timely filing of returns and remittance of collected taxes.
- (c) The Company conducts periodic nexus reviews to identify new registration requirements arising from changes in business operations or evolving nexus standards, including economic nexus thresholds established under Wayfair principles.

1.3 Software Revenue Classification

- (a) The Company's NexusCore™ platform is classified as prewritten computer software delivered electronically for tax purposes. This classification applies uniformly across all jurisdictions unless specifically required otherwise by local law.
- (b) Subscription fees for cloud-based access are treated as Software-as-a-Service (SaaS) revenue subject to applicable state tax regulations regarding digital automated services. The Company maintains documentation supporting the characterization of its revenue streams for tax purposes.
- (c) Implementation services, customization, and training are separately stated and classified as professional services where jurisdictionally permitted.

1.4 International Tax Treatment

- (a) Cross-border AI services are classified as technical services under applicable tax treaties. The Company maintains contemporaneous documentation supporting its treaty positions and beneficial ownership status.
- (b) The Company applies appropriate withholding tax rates based on the nature of services and jurisdiction-specific requirements. Documentation requirements under FATCA and CRS are satisfied where applicable.
- (c) Transfer pricing policies for intercompany transactions comply with OECD guidelines and local country requirements, supported by functional and economic analyses updated annually.

1.5 R&D Tax Credit Eligibility

- (a) The Company's artificial intelligence and machine learning development activities qualify as eligible research expenses under Section 41 of the Code. Documentation of qualifying activities includes: (i) Contemporary project records demonstrating technical uncertainty (ii) Evidence of systematic experimentation processes (iii) Records of hypothesis testing and evaluation (iv) Documentation of new or improved business components
- (b) The Company maintains contemporaneous documentation of qualified research expenses, including: (i) Wage allocation records for technical personnel (ii) Contractor agreements specifying research activities (iii) Supply expenses directly related to research activities (iv) Cloud computing costs allocated to qualified research

1.6 State Tax Incentives

The Company participates in various state tax incentive programs for technology companies, maintaining compliance with all certification and reporting requirements. Annual reviews are conducted to ensure continued qualification and maximum benefit utilization.

2.0 REVENUE RECOGNITION AND TAX TREATMENT

2.1 SaaS Revenue Recognition

(a) Subscription revenue is recognized ratably over the contract term for tax purposes, with the following specifications: (i) Monthly recurring revenue (MRR) is recognized on the first day of each service month (ii) Annual contracts paid in advance are recognized over twelve equal monthly periods (iii) Multi-year agreements shall be recognized proportionally across applicable fiscal years (iv) Early termination fees are recognized in the period received

(b) Implementation fees are recognized as follows: (i) One-time setup charges recognized upon completion of platform deployment (ii) Configuration services recognized as performed, measured in completed milestones (iii) Data migration services recognized upon successful data transfer and validation (iv) Custom integration development recognized upon client acceptance (v) Security implementation services recognized upon certification completion

2.2 Professional Services Income

(a) AI consulting services are recognized when performed and accepted by customers, subject to: (i) Milestone completion documentation (ii) Client acceptance signatures (iii) Delivery of specified deliverables (iv) Completion of acceptance testing periods

(b) Training services are recognized upon delivery of each training session, including: (i) Live instructor-led sessions (ii) Remote training delivery (iii) Self-paced learning modules (iv) Certification programs (v) Custom curriculum development

2.3 Cross-border Transaction Treatment

(a) The Company applies transfer pricing methodologies consistent with OECD guidelines for intercompany transactions, incorporating: (i) Comparable uncontrolled price method (CUP) (ii) Cost plus method for support services (iii) Transactional net margin method (TNMM) for routine functions (iv) Profit split methodology for highly integrated operations

(b) Revenue from foreign customers is allocated based on: (i) Location of service delivery and infrastructure (ii) Customer billing address and contracting entity (iii) Intellectual property utilization and licensing (iv) Support service delivery locations (v) Data storage jurisdiction

2.4 State Tax Nexus

(a) The Company acknowledges economic nexus in jurisdictions where it exceeds either: (i) \$100,000 in annual revenue, or (ii) 200 separate transactions

(b) Nexus determination includes consideration of: (i) Physical presence through employees or contractors (ii) Server locations and data centers (iii) Sales activities and solicitation (iv) Technical support service delivery (v) Training and implementation activities

(c) State-specific reporting requirements: (i) Quarterly nexus review and documentation (ii) Registration in applicable jurisdictions (iii) Compliance with state-specific sourcing rules (iv) Maintenance of supporting documentation

2.5 Revenue Allocation Methodology

(a) The Company employs a multi-factor allocation methodology considering: (i) User location and access points (ii) Server location and data processing (iii) Support service delivery location (iv) Contract negotiation and execution location (v) Intellectual property deployment location

(b) Allocation factors are weighted as follows: (i) User location: 40% (ii) Server location: 30% (iii) Support services: 20% (iv) Contract location: 10%

2.6 Documentation Requirements

(a) The Company maintains detailed records supporting revenue recognition, including: (i) Customer contracts and amendments (ii) Implementation milestone completion records (iii) Service delivery documentation (iv) Client acceptance certificates (v) Training attendance records

(b) Revenue recognition documentation is retained for: (i) Seven years for general business records (ii) Ten years for tax-related documentation (iii) Contract term plus three years for customer-specific records

2.7 Periodic Review and Adjustment

(a) Revenue recognition methodologies are reviewed annually for: (i) Compliance with current accounting standards (ii) Alignment with industry best practices (iii) Adherence to tax authority guidance (iv) Optimization of recognition timing (v) Technology platform changes

(b) Adjustments to methodologies require: (i) Executive leadership approval (ii) Independent auditor review (iii) Documentation of change rationale (iv) Implementation timeline (v) Staff training on new procedures

3.0 INTELLECTUAL PROPERTY TAX MATTERS

3.1 IP Development Costs

(a) Research and development expenses are: (i) Capitalized where required by ASC 350-40, specifically for internal-use software development costs that have reached technological feasibility (ii) Expensed as incurred for tax purposes where permitted under applicable jurisdictional regulations (iii) Subject to annual review for impairment in accordance with ASC 350-40-35

(b) The Company maintains contemporaneous documentation supporting R&D tax credit claims, including: (i) Detailed time tracking records for qualified research activities (ii) Project documentation demonstrating technological uncertainty (iii) Documentation of systematic investigation processes (iv) Evidence of qualified research expenses and their allocation (v) Annual certification of qualified activities by project leaders

3.2 Transfer Pricing

(a) The Company values its intellectual property using accepted transfer pricing methodologies, including: (i) Comparable Uncontrolled Transaction (CUT) method (ii) Profit Split Method where appropriate for highly integrated operations (iii) Cost Plus Method for routine development services

(b) Cost sharing arrangements are documented pursuant to Treasury Regulation §1.482-7, including: (i) Platform contribution transaction valuations (ii) Annual cost share calculations and true-ups (iii) Quarterly monitoring of actual versus projected results (iv) Documentation of material changes to cost sharing arrangements

3.3 Technology Export Classifications

(a) The Company's software and technology are classified under ECCN 5D992 for export control purposes, requiring: (i) Regular review of classification determinations (ii) Maintenance of export compliance documentation (iii) Screening of end-users and destinations (iv) Implementation of technology control plans

(b) Export compliance procedures include: (i) Annual review of technology classifications (ii) Documentation of encryption functionality (iii) Maintenance of required export licenses (iv) Training of personnel on export requirements

3.4 Patent Box Regime

(a) The Company evaluates eligibility for patent box tax incentives in applicable jurisdictions, considering: (i) Qualifying intellectual property types (ii) Development activity requirements (iii) Nexus calculations and documentation (iv) Annual compliance obligations

(b) Patent box participation requires: (i) Tracking of qualifying development expenses (ii) Documentation of substantial development activities (iii) Calculation of modified nexus ratios (iv) Annual certification of continued eligibility

3.5 Software Capitalization

(a) Development costs are capitalized in accordance with: (i) ASC 350-40 for GAAP purposes, including: - Application development stage costs - Direct internal and external costs - Testing and implementation expenses (ii) Section 174 of the Code for tax purposes, considering: -

Research and experimental expenditures - Pilot model development costs - Design and development activities

(b) Capitalization procedures include: (i) Regular review of capitalization criteria (ii) Documentation of development stages (iii) Tracking of qualifying expenses (iv) Periodic assessment of useful life estimates (v) Amortization schedule maintenance

3.6 Compliance and Reporting

(a) The Company maintains comprehensive documentation including: (i) Annual IP asset registers (ii) Transfer pricing documentation (iii) R&D tax credit support (iv) Export compliance records (v) Patent box calculations

(b) Regular reviews are conducted to ensure: (i) Compliance with changing regulations (ii) Accuracy of tax positions (iii) Completeness of documentation (iv) Timeliness of filings

4.0 TAX COMPLIANCE REPRESENTATIONS

4.1 Federal Tax Compliance

The Company hereby represents that: (a) All required federal tax returns have been timely filed, including but not limited to Form 1120, Form 941, Form 940, and any applicable information returns (b) All federal tax payments are current and paid in accordance with prescribed schedules (c) No federal tax audits are pending or threatened (d) The Company maintains comprehensive documentation supporting all claimed deductions, credits, and exemptions (e) All estimated tax payments have been made in accordance with IRC requirements (f) The Company is not subject to any tax liens, levies, or enforcement actions

4.2 State Tax Compliance

(a) The Company maintains compliance with state tax obligations including: (i) Income tax and franchise tax obligations in all jurisdictions where business is conducted (ii) Sales and use tax, including nexus determinations and exemption certificates (iii) Employment tax, including unemployment insurance and workers' compensation (iv) Property tax obligations on both real and personal property (v) Unclaimed property reporting requirements

(b) All state tax registrations are current and active, with no pending revocations or suspensions (c) The Company maintains documentation of apportionment calculations for all applicable jurisdictions (d) Economic nexus thresholds are monitored and documented for all states

4.3 International Tax Reporting

The Company complies with: (a) FATCA reporting requirements and due diligence procedures (b) Country-by-country reporting obligations under BEPS Action 13 (c) Transfer pricing

documentation requirements, including: (i) Master file documentation (ii) Local file documentation (iii) Contemporaneous documentation requirements (d) Foreign bank account reporting (FBAR) obligations (e) Controlled foreign corporation (CFC) reporting requirements

4.4 Information Returns

(a) All required information returns are filed timely, including: (i) Forms 1099 (all series) (ii) Forms 1042-S for foreign payments (iii) Forms W-2 and W-3 (iv) Forms 8300 for cash transactions (b) Information return compliance procedures include: (i) Annual vendor verification (ii) TIN matching (iii) Back-up withholding procedures (iv) Electronic filing capabilities (c) The Company maintains audit trails for all information return filings

IN WITNESS WHEREOF, the undersigned has executed this Tax Certification Document as of the date first written above.