

TAX MATTERS DOCUMENT 16

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 machine learning and computer vision solutions for industrial process optimization and predictive maintenance through its NexusCore™ Industrial AI Platform;

WHEREAS, the Company desires to establish and document certain tax treatment methodologies related to its software development activities, revenue recognition practices, and international operations;

WHEREAS, the Company seeks to ensure compliance with applicable tax regulations while optimizing its tax position with respect to research and development activities; and

WHEREAS, this Document shall serve as the controlling instrument for tax treatment of the Company's technology development and revenue recognition matters.

NOW, THEREFORE, the Company hereby adopts and establishes the following:

1.0 PREAMBLE AND RECITALS

1.1 This Document shall be known as Tax Matters Document 16 and shall govern the tax treatment of specified Company matters as set forth herein.

1.2 The Company, incorporated in Delaware on March 15, 2017, maintains its registered office at 1209 Orange Street, Wilmington, Delaware 19801, and operates under Federal Employer Identification Number (FEIN) 81-3749205.

1.3 The Company conducts business in multiple jurisdictions and generates revenue through enterprise SaaS licensing and implementation services, with primary operations in North America, Europe, and Asia-Pacific regions.

1.4 This Document establishes binding methodologies for tax treatment of the Company's activities, including software development, revenue recognition, and international operations.

1.5 WHEREAS, the Company acknowledges its obligations under various tax jurisdictions, including federal, state, and international tax authorities, and seeks to establish comprehensive guidelines for consistent tax treatment across all operational territories.

1.6 WHEREAS, the Company maintains substantial nexus in multiple states through employee presence, sales activities, and digital service delivery, necessitating specific tax compliance measures.

1.7 The Company's principal place of business is located at 555 Technology Drive, Suite 400, San Francisco, California 94105, from which it directs significant business operations and maintains its primary management team.

1.8 This Document shall be interpreted in conjunction with all applicable tax laws, regulations, and treaties, including but not limited to the Internal Revenue Code, state tax statutes, and international tax agreements to which the United States is a party.

1.9 The effective date of this Document shall be January 1, 2024, and shall remain in force until formally amended or superseded by subsequent documentation.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "SaaS Revenue" means all subscription fees received from customers for access to the NexusCore™ Industrial AI Platform, excluding implementation services and professional services fees. This includes: (a) Monthly or annual subscription payments (b) Usage-based pricing components (c) Platform access licensing fees (d) Module-specific subscription charges (e) Enterprise licensing agreements but explicitly excludes one-time setup fees, customization charges, and training services.

2.2 "Qualifying R&D Expenditure" means research and development costs that meet the criteria for the federal research credit under Internal Revenue Code Section 41, including: (a) Wages for qualified services, specifically: (i) Direct research activities (ii) Direct supervision of research (iii) Support services directly related to research (b) Supply costs used in the conduct of qualified research (c) Contract research expenses, limited to 65% of amounts paid (d) Basic research payments to qualified organizations (e) Cloud computing costs directly attributable to research activities (f) Prototype development expenses

2.3 "International Revenue" means revenue derived from customers located outside the United States, subject to foreign tax jurisdiction, including: (a) Direct sales to international entities (b) Revenue through authorized international resellers (c) Subscription fees from foreign subsidiaries (d) Cross-border licensing arrangements For purposes of this definition, customer location is determined by the billing address and local entity registration.

2.4 "AI Technology Development Costs" means direct and indirect expenses incurred in the development of the Company's proprietary machine learning algorithms and computer vision systems, including: (a) Personnel costs for AI/ML engineers, including: (i) Base salaries and wages (ii) Employment taxes and benefits (iii) Stock-based compensation (b) Cloud computing and data processing expenses (c) Training data acquisition costs (d) Algorithm validation and

testing expenses (e) Third-party API and software licensing fees (f) Hardware infrastructure costs directly related to AI development

2.5 "Implementation Services" means professional services provided to customers for deployment and integration of the NexusCore™ platform, including: (a) Initial platform configuration (b) Custom integration development (c) Data migration services (d) User training and onboarding (e) System optimization services (f) Technical consultation

2.6 For the purposes of this Agreement, unless explicitly stated otherwise: (a) Words importing the singular include the plural and vice versa (b) References to sections, clauses, and schedules are to those in this Agreement (c) Headings are for convenience only and do not affect interpretation (d) References to "including" or similar terms shall be construed as illustrative rather than exhaustive (e) All monetary amounts are in United States dollars unless specified otherwise (f) Time periods shall be calculated in calendar days unless specified as business days

3.0 TAX TREATMENT OF SOFTWARE DEVELOPMENT

3.1 ML/AI Development Cost Classification

(a) The Company shall classify AI Technology Development Costs as follows: (i) Research Phase costs shall be expensed as incurred, including: - Initial feasibility studies and conceptual formulation - Algorithm research and preliminary prototype development - Data architecture planning and theoretical modeling - Evaluation of alternative AI frameworks and methodologies (ii) Development Phase costs shall be capitalized when technological feasibility is established (iii) Post-implementation costs shall be expensed as incurred, encompassing maintenance, updates, and incremental improvements

(b) Technological feasibility shall be deemed established upon completion of all planning, designing, coding, and testing activities necessary to establish that the product can be produced to meet its design specifications, including: (i) Detailed program design documentation (ii) Working model completion (iii) Beta testing results validation (iv) Performance benchmark achievement

3.2 Software Development Capitalization Rules

(a) The Company shall capitalize software development costs in accordance with ASC 350-40, including: (i) External direct costs of materials and services, specifically: - Third-party developer contracts - Cloud computing infrastructure costs - Licensed technology integration expenses - External quality assurance services (ii) Payroll and payroll-related costs for employees directly associated with the project: - Software engineers and developers - Project managers and technical leads - Quality assurance personnel - Technical documentation specialists (iii) Interest costs incurred while developing internal-use software (iv) Training costs directly related to technological implementation

(b) Capitalization Period Parameters: (i) Begins when technological feasibility is established (ii) Ends when the software is substantially complete and ready for intended use (iii) Subsequent modifications shall be evaluated independently

3.3 R&D Tax Credit Qualification Criteria

(a) The Company shall document all activities claimed for R&D tax credits, including: (i) Technical uncertainty elimination efforts: - Problem definition and solution approaches - Alternative design considerations - Technical limitations and constraints - Resolution methodologies (ii) Systematic investigation process: - Hypothesis formulation - Experimental design - Data collection protocols - Results analysis methodology (iii) Experimental validation procedures: - Testing protocols and parameters - Success criteria definition - Performance metrics - Validation methodologies (iv) Innovation advancement documentation: - Technical progress reports - Patent applications - Published research - Industry standard contributions

3.4 International Development Cost Allocation

(a) Development costs shall be allocated between domestic and international operations based on: (i) Location of development personnel: - Primary development centers - Satellite development teams - Contracted resources - Support personnel distribution (ii) Jurisdiction of intellectual property rights: - Patent registrations - Copyright holdings - Trade secret protections - License agreements (iii) Ultimate market destination of developed technology: - Geographic distribution of users - Revenue attribution - Market-specific customization requirements - Regulatory compliance requirements

3.5 Documentation and Compliance Requirements

(a) The Company shall maintain comprehensive documentation including: (i) Detailed time tracking for development personnel (ii) Project-specific cost allocation worksheets (iii) Technical feasibility assessments (iv) Capitalization threshold analyses (v) International transfer pricing studies

(b) Regular compliance reviews shall be conducted to ensure: (i) Proper classification of development costs (ii) Accurate capitalization timing (iii) Appropriate international cost allocation (iv) Complete supporting documentation (v) Adherence to relevant tax jurisdiction requirements

(c) Annual reconciliation procedures shall include: (i) Review of capitalized costs against project milestones (ii) Validation of R&D tax credit claims (iii) Assessment of international allocation methodologies (iv) Evaluation of documentation completeness (v) Update of compliance procedures as needed

4.0 REVENUE RECOGNITION AND TAX IMPLICATIONS

4.1 SaaS Revenue Recognition Timeline

(a) The Company shall recognize SaaS revenue ratably over the subscription term, commencing when: (i) The service is made available to the customer (ii) The price is fixed or determinable (iii) Collection is reasonably assured

(b) Revenue recognition criteria shall additionally require: (i) Executed service agreement with defined terms (ii) Completion of all critical onboarding milestones (iii) Technical verification of service accessibility (iv) Documentation of customer acceptance criteria

(c) Deferred revenue treatment shall apply when: (i) Advance payments are received prior to service delivery (ii) Performance obligations remain incomplete (iii) Service delivery is contingent upon future events

4.2 Implementation Services Revenue Treatment

(a) Implementation service revenue shall be recognized as follows: (i) Upon completion of distinct performance obligations (ii) Using percentage-of-completion method for extended implementations (iii) Net of any discounts or credits issued

(b) Implementation revenue recognition shall consider: (i) Milestone-based deliverables with documented acceptance (ii) Time and materials billing arrangements (iii) Fixed-fee project components (iv) Change orders and scope modifications

(c) Revenue deferral requirements apply when: (i) Implementation services are bundled with subscription fees (ii) Future performance obligations exist (iii) Customer acceptance is pending

4.3 Multi-year Contract Revenue Attribution

(a) Revenue from multi-year contracts shall be: (i) Allocated to specific performance obligations (ii) Recognized in the appropriate tax year (iii) Adjusted for prepaid or deferred revenue considerations

(b) Multi-year contract treatment must address: (i) Annual price escalations or reductions (ii) Contract modification implications (iii) Early termination provisions (iv) Renewal options and incentives

(c) Contract modifications shall require: (i) Assessment of distinct performance obligations (ii) Reallocation of transaction price (iii) Adjustment of revenue recognition schedule

4.4 International Revenue Tax Treatment

(a) The Company shall: (i) Apply appropriate transfer pricing methodologies (ii) Document permanent establishment considerations (iii) Maintain compliance with local tax regulations (iv) Account for withholding tax obligations

(b) International revenue compliance requires: (i) Country-specific VAT/GST registration and reporting (ii) Documentation of intercompany service agreements (iii) Maintenance of contemporaneous transfer pricing documentation (iv) Regular review of tax treaty implications

(c) Cross-border transaction documentation must include: (i) Economic substance analysis (ii) Functional and risk assessment (iii) Benchmark studies for transfer pricing (iv) Supporting documentation for tax positions

4.5 Revenue Recognition Dispute Resolution

(a) In cases of revenue recognition disputes: (i) Written notification requirements apply (ii) Resolution procedures must follow established protocols (iii) Independent auditor review may be required

(b) Documentation requirements include: (i) Detailed transaction records (ii) Customer correspondence (iii) Performance obligation evidence (iv) Revenue allocation calculations

4.6 Compliance and Reporting Requirements

(a) The Company shall maintain: (i) Detailed revenue recognition policies (ii) Supporting documentation for tax positions (iii) Audit trails for revenue transactions (iv) Regular compliance reviews and updates

(b) Quarterly and annual reporting must include: (i) Revenue recognition reconciliations (ii) Tax provision calculations (iii) Documentation of material judgments (iv) Disclosure of significant revenue policies

5.0 REPRESENTATIONS AND WARRANTIES

5.1 Tax Filing Compliance

The Company represents and warrants that: (a) All required tax returns have been timely filed with appropriate jurisdictions (b) All taxes shown as due have been paid in full and without reservation (c) No material tax audits are pending or threatened by any taxing authority (d) Adequate reserves exist for any contested tax matters, as determined by GAAP (e) All estimated tax payments have been made in accordance with applicable laws (f) No tax liens exist against any Company assets or properties

5.2 R&D Credit Documentation

The Company represents and warrants that: (a) All claimed R&D credits are supported by contemporaneous documentation (b) Qualifying activities meet the four-part test under IRC Section 41 (c) Cost allocation methodologies are consistently applied across all projects (d) Records are maintained in accordance with Treasury Regulations (e) All technical personnel time tracking meets IRS documentation requirements (f) Software development activities are properly categorized between qualified and non-qualified research (g) Contract research expenses are appropriately documented and verified

5.3 International Tax Compliance

The Company represents and warrants compliance with: (a) Transfer pricing documentation requirements in all applicable jurisdictions (b) Foreign tax reporting obligations, including FBAR and Form 5471 filings (c) Permanent establishment regulations in each country of operation (d) International tax treaty provisions and bilateral agreements (e) Global intangible low-taxed income (GILTI) reporting requirements (f) Base erosion and anti-abuse tax (BEAT) regulations (g) Country-by-country reporting obligations where applicable

5.4 State Tax Nexus Declarations

The Company represents and warrants that: (a) State tax nexus has been properly determined through comprehensive analysis (b) All required state tax registrations are maintained and current (c) Sales tax collection obligations are satisfied in all jurisdictions (d) State tax filing requirements are met, including combined reporting (e) Economic nexus thresholds are monitored and documented (f) Local tax obligations have been identified and fulfilled (g) Marketplace facilitator laws are properly observed

5.5 Documentation Maintenance

The Company represents and warrants that: (a) All tax positions are supported by appropriate documentation (b) Records retention policies comply with all jurisdictional requirements (c) Electronic records are maintained with appropriate backup systems (d) Access controls protect sensitive tax information (e) Third-party tax opinions are properly maintained and updated

IN WITNESS WHEREOF, the Company has caused this Tax Matters Document to be executed as of the Effective Date.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: _____ Name: James Wilson Title: Chief Financial Officer