

TAX MATTERS DOCUMENT 21

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 (the "Company").

WHEREAS, the Company is engaged in the business of developing and commercializing artificial intelligence and machine learning solutions for industrial applications through its proprietary NexusCore™ Industrial AI Platform;

WHEREAS, the Company generates revenue through various streams including software-as-a-service licensing, implementation services, and technology consulting across multiple tax jurisdictions; and

WHEREAS, the Company desires to establish comprehensive documentation regarding the tax treatment and classification of its various revenue streams and business operations.

NOW, THEREFORE, the Company hereby adopts and establishes this Document as follows:

1.0 PREAMBLE AND RECITALS

1.1 This Document shall be known as Tax Matters Document 21 and shall govern the tax treatment, classification, and reporting obligations of the Company.

1.2 The Company, incorporated in Delaware on March 15, 2017, maintains Delaware Corporation File Number DC-2017-0315-7789 and Federal Employer Identification Number 81-XXXXXXX, with its principal place of business at 1250 Technology Drive, Suite 400, San Jose, California 95110.

1.3 The Company acknowledges that its operations span multiple tax jurisdictions, including: (a) Primary U.S. federal tax jurisdiction; (b) State tax jurisdictions where nexus is established through software licensing and service delivery; (c) International tax jurisdictions where the Company maintains customer relationships or service delivery capabilities.

1.4 The Company's primary business model involves Software-as-a-Service (SaaS) delivery, which necessitates specific tax considerations regarding: (a) Revenue recognition across multiple jurisdictions; (b) Digital goods and services taxation; (c) International value-added tax (VAT) obligations.

1.5 This Document serves to establish comprehensive guidelines for: (a) Classification of revenue streams for tax purposes; (b) Documentation requirements for multi-jurisdictional

compliance; (c) Reporting procedures for various tax authorities; (d) Treatment of subscription-based revenue; (e) Management of tax obligations arising from cross-border transactions.

1.6 The Company hereby acknowledges its responsibility to maintain accurate records, file timely returns, and comply with all applicable tax regulations in jurisdictions where it conducts business, whether directly or through digital presence.

1.7 This Document shall be interpreted in conjunction with all applicable federal, state, and international tax laws and regulations in effect during the relevant tax periods.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "SaaS Revenue" means all subscription fees generated through the licensing of the NexusCore™ Industrial AI Platform, including: (a) Base platform licensing fees for core system access; (b) Module-specific subscription charges for additional functionality; (c) User-based licensing fees calculated per authorized user; (d) API access fees for programmatic platform integration; (e) Data storage and processing fees beyond included allowances; (f) Premium support tier subscriptions.

2.2 "Implementation Services Revenue" means fees generated through: (a) Initial platform deployment services, including system configuration; (b) Custom integration development and middleware implementation; (c) Training and enablement services, both remote and on-site; (d) Professional consulting services related to AI optimization; (e) Data migration and transformation services; (f) System architecture design and optimization services; (g) Performance tuning and enhancement services.

2.3 "International Revenue" means any revenue generated from customers located outside the United States, subject to: (a) Transfer pricing regulations in applicable jurisdictions; (b) International tax treaties between relevant countries; (c) Foreign tax credit considerations and limitations; (d) Currency conversion requirements and timing; (e) Value-added tax (VAT) and goods and services tax (GST) implications; (f) Withholding tax obligations and compliance requirements; (g) Permanent establishment considerations.

2.4 "AI Technology License" means any license granted for the use of the Company's proprietary artificial intelligence and machine learning technologies, including: (a) Algorithm licensing for specific use cases; (b) Model deployment rights across computing environments; (c) Edge computing capabilities and local processing rights; (d) Neural network architecture licensing; (e) Training data usage rights and limitations; (f) Model adaptation and transfer learning rights.

2.5 "Platform Enhancement Revenue" means fees generated from: (a) Custom feature development; (b) Performance optimization services; (c) Integration with third-party systems; (d) Security enhancement implementations.

2.6 For the purposes of this Agreement: (a) References to revenue shall be interpreted on an accrual basis; (b) Multi-year contracts shall be recognized according to applicable accounting standards; (c) Revenue shall be recognized net of any applicable taxes; (d) Bundled services shall be allocated based on relative standalone selling prices; (e) Revenue recognition timing shall comply with ASC 606 guidelines.

2.7 "Intellectual Property Rights" in relation to AI technology means: (a) Patents, pending patent applications, and patent rights; (b) Copyrights in software, algorithms, and documentation; (c) Trade secrets related to AI implementation; (d) Proprietary methodologies and processes; (e) Data rights and model training artifacts.

2.8 All monetary amounts referenced in this Agreement shall be: (a) Expressed in United States Dollars unless otherwise specified; (b) Subject to currency conversion at prevailing market rates; (c) Exclusive of any applicable taxes, duties, or fees; (d) Calculated and reported according to GAAP principles.

3.0 TAX CLASSIFICATION AND TREATMENT

3.1 SaaS Revenue Classification (a) The Company shall treat SaaS Revenue as services income for federal tax purposes; (b) State tax treatment shall follow the guidelines established in each jurisdiction where nexus exists; (c) Revenue recognition shall occur ratably over the subscription term; (d) Multi-year contracts shall be recognized according to ASC 606 principles, with: (i) Performance obligations clearly identified and documented; (ii) Transaction price allocated among distinct deliverables; (iii) Revenue recognized as performance obligations are satisfied; (e) International revenue shall be classified in accordance with applicable treaties and foreign tax regulations.

3.2 Implementation Services Taxation (a) Implementation Services Revenue shall be recognized upon completion of defined project milestones; (b) Such revenue shall be subject to state sales tax in jurisdictions requiring taxation of professional services; (c) The Company shall maintain detailed documentation of service delivery locations for nexus determination; (d) Implementation service components shall be categorized as follows: (i) Technical configuration and setup; (ii) Data migration and integration; (iii) Training and knowledge transfer; (iv) Custom development and modifications; (e) Mixed service contracts shall be unbundled for tax purposes where required by state law.

3.3 R&D Tax Credit Eligibility (a) The Company shall document all qualifying research and development activities related to: (i) AI algorithm development; (ii) Machine learning model optimization; (iii) Computer vision system enhancement; (iv) Natural language processing improvements; (v) Neural network architecture design; (b) Qualifying expenses shall be tracked and documented in accordance with IRC Section 41; (c) Documentation requirements shall include: (i) Contemporaneous records of research activities; (ii) Technical uncertainty documentation; (iii) Process of experimentation evidence; (iv) Scientific principles application

records; (d) Wage allocation methodologies shall be established for technical staff engaged in qualified research.

3.4 State Nexus Determination (a) The Company shall conduct quarterly nexus reviews considering: (i) Physical presence in each jurisdiction; (ii) Economic nexus thresholds; (iii) Digital product delivery locations; (iv) Remote employee locations; (b) Documentation shall be maintained for: (i) Server locations and data center operations; (ii) Sales personnel travel records; (iii) Customer training locations; (iv) Remote employee work locations; (c) Economic nexus thresholds shall be monitored for: (i) Revenue-based triggers; (ii) Transaction volume metrics; (iii) Digital service delivery statistics.

3.5 International Tax Considerations (a) Transfer pricing documentation shall be maintained for: (i) Intercompany service agreements; (ii) Technology licensing arrangements; (iii) Cost-sharing agreements; (b) Permanent establishment risk shall be evaluated for: (i) Remote employees in foreign jurisdictions; (ii) Server locations and data centers; (iii) Customer support operations; (c) VAT/GST obligations shall be monitored for digital service delivery.

3.6 Tax Reporting and Compliance (a) The Company shall maintain systems to track and report: (i) Sales/use tax by jurisdiction; (ii) Income tax apportionment factors; (iii) Digital service tax obligations; (b) Quarterly compliance reviews shall be conducted to ensure: (i) Timely filing of all required returns; (ii) Proper documentation retention; (iii) Update of nexus determinations; (c) Annual tax provision calculations shall include: (i) Permanent and temporary differences; (ii) State tax adjustments; (iii) Foreign tax credits; (iv) R&D credit calculations; (d) Tax positions shall be documented in accordance with ASC 740, including: (i) Technical merits analysis; (ii) Measurement criteria; (iii) Supporting documentation requirements.

4.0 COMPLIANCE AND REPORTING OBLIGATIONS

4.1 Revenue Recognition Methods (a) The Company shall employ ASC 606 guidelines for revenue recognition, including: (i) Identification of customer contracts meeting enforceability criteria; (ii) Assessment of collectibility thresholds prior to recognition; (iii) Documentation of modification impacts on existing arrangements; (b) Separate performance obligations shall be identified for each revenue stream, with consideration for: (i) Distinct goods or services within bundled offerings; (ii) Integration services that significantly modify deliverables; (iii) Series of substantially similar items with identical transfer patterns; (c) Transaction price allocation shall follow established methodologies, including: (i) Regular review of standalone selling price calculations; (ii) Variable consideration constraints assessment; (iii) Documentation of significant financing components.

4.2 International Tax Reporting (a) The Company shall maintain transfer pricing documentation in accordance with OECD guidelines, including: (i) Master file updates within 12 months of fiscal year-end; (ii) Local file preparation for each material jurisdiction; (iii)

Contemporaneous documentation of all related party transactions; (b) Country-by-country reporting shall be implemented when applicable thresholds are met, requiring: (i) Annual revenue reporting exceeding €750 million; (ii) Jurisdictional profit and tax allocation analysis; (iii) Employee headcount and asset distribution reporting; (c) Foreign tax credit positions shall be documented and supported through: (i) Maintenance of foreign tax payment documentation; (ii) Earnings and profits calculations for foreign subsidiaries; (iii) Subpart F income monitoring and reporting.

4.3 State and Local Tax Obligations (a) Nexus determination shall be reviewed quarterly, considering: (i) Physical presence thresholds in each jurisdiction; (ii) Economic nexus standards post-Wayfair decision; (iii) Factor presence tests for income tax purposes; (b) Sales tax collection and remittance procedures shall be maintained, including: (i) Regular validation of exemption certificates; (ii) Monthly reconciliation of collected amounts; (iii) Documentation of marketplace facilitator obligations; (c) State income tax apportionment shall follow established methodologies, incorporating: (i) Market-based sourcing for service revenue; (ii) Cost of performance analysis where applicable; (iii) Alternative apportionment petition procedures.

4.4 Compliance Documentation Requirements (a) The Company shall maintain comprehensive compliance files containing: (i) Written procedures for all material tax positions; (ii) Supporting calculations and workpapers; (iii) External advisor opinions and memoranda; (b) Regular compliance reviews shall be conducted, including: (i) Quarterly assessment of material tax positions; (ii) Annual review of transfer pricing policies; (iii) Documentation of uncertain tax position analysis; (c) Technology systems shall be maintained to support compliance, including: (i) Tax provision software implementation; (ii) Real-time transaction monitoring capabilities; (iii) Automated compliance calendar management.

4.5 Reporting Deadlines and Requirements (a) The Company shall adhere to established filing deadlines for: (i) Federal, state, and local income tax returns; (ii) Sales and use tax returns; (iii) Information returns and schedules; (b) Extensions shall be filed when necessary, subject to: (i) Written approval from the Tax Director; (ii) Payment of estimated tax liabilities; (iii) Documentation of extension necessity; (c) Internal reporting requirements shall include: (i) Monthly tax provision estimates; (ii) Quarterly compliance certificates; (iii) Annual effective tax rate analysis.

5.0 REPRESENTATIONS AND WARRANTIES

5.1 The Company hereby represents and warrants that: (a) All tax returns have been timely filed in all required jurisdictions, including federal, state, local, and international tax authorities, with no outstanding extensions or amendments pending; (b) All tax payments are current and no material disputes exist with any taxing authority, including but not limited to income tax, sales tax, use tax, property tax, and employment tax obligations; (c) Adequate

documentation exists to support all tax positions taken, including contemporaneous records, third-party validations, and expert opinions where applicable; (d) No pending or threatened tax audits, investigations, or examinations exist that could materially affect the Company's financial position; (e) All software license revenue recognition policies comply with applicable accounting standards and tax regulations.

5.2 The Company maintains appropriate internal controls to ensure: (a) Accurate tax reporting and compliance, including systematic review procedures and multi-level approval processes; (b) Proper revenue recognition and classification, particularly regarding: (i) Software license fees versus maintenance revenues; (ii) Cloud-based subscription services; (iii) Professional services and implementation fees; (iv) Multi-element arrangements and bundled offerings; (c) Documentation of all material tax positions, including: (i) Technical memoranda supporting positions taken; (ii) Supporting calculations and methodologies; (iii) Relevant correspondence with tax authorities.

5.3 The Company further represents and warrants: (a) All transfer pricing arrangements with related entities are properly documented and comply with applicable regulations; (b) Research and development tax credit claims are supported by contemporaneous documentation; (c) State nexus determinations are regularly reviewed and updated; (d) International tax compliance requirements are monitored and satisfied.

5.4 The Company acknowledges and confirms that: (a) All sales tax exemption certificates are current and properly maintained; (b) VAT registrations and compliance obligations are fulfilled where applicable; (c) Employee versus contractor classifications are properly documented; (d) All intercompany transactions are properly documented and reported.

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

NEXUS INDUSTRIAL INTELLIGENCE, INC.

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

EXHIBITS: Exhibit A: Revenue Classification Guidelines Exhibit B: State Nexus Analysis
Exhibit C: R&D Tax Credit Documentation Requirements

APPENDICES: Appendix 1: Transfer Pricing Methodology Appendix 2: State Tax Filing
Requirements Appendix 3: International Tax Compliance Checklist